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HIGHLIGHTS: Senate debated second supplemental appropriation bill. Senate passed supergrades bill. House Rules Committee rejected reconsideration motion on farm bill, and cleared bill to authorize marketing orders on pears. House committees reported highway authorization and housing bills. House subcommittee approved Redwood National Park bill.

HOUSE

1. MARKETING ORDERS. The Rules Committee reported a resolution for the consideration of H. R. 10564, to authorize marketing orders for pears for canning or freezing. p. H5604

2. FARM PROGRAM. The "Daily Digest" states that the Rules Committee rejected a motion for reconsideration of a rule on H. R. 17126, the farm bill. p. D598

3. HIGHWAYS. The Public Works Committee reported with amendment H. R. 17134, the highway authorization bill (H. Rept. 1584). p. H5604

4. HOUSING. The Banking and Currency Committee reported without amendment H. R. 17989, to assist in the provision of housing for low- and moderate-income families, and to extend and amend laws relating to housing and urban development (H. Rept. 1585). p. H5604

Rep. Rogers, Colo., inserted an article, "Historic Housing Bill Merits Support." p. H5603

5. FLAG. Concurred in Senate amendments to H. R. 10480, to prohibit desecration of the flag. This bill will now be sent to the President. pp. H5390, H5434

6. VOCATIONAL REHABILITATION. Concurred in Senate amendments to H. R. 16819, to amend the Vocational Rehabilitation Act to extend the authorization of grants to States for rehabilitation services, to broaden the scope of goods and services available under that Act for the handicapped. This bill will now be sent to the President. p. H5390

7. APPROPRIATIONS. Concluded general debate on H. R. 18037, Labor-HEW appropriation bill, and began reading for amendments. pp. H5390-429

8. INFORMATION. A subcommittee of the Government Operations Committee approved for full committee action H. R. 14287, amended, to extend for ten years the authorization for appropriations for the gathering of U. S. history. p. D598

9. REDWOOD PARK. A subcommittee of the Interior and Insular Affairs Committee approved for full committee action H. R. 10951, amended, to establish Redwood National Park, Calif. p. D598

10. TECHNICAL SERVICES. A subcommittee of the Foreign Commerce Committee approved for full committee action H. R. 16824, to extend for an additional year the authorization of appropriations under the State Technical Services Act. p. D598

11. TRANSPORTATION. A subcommittee of the Public Works Committee approved for full committee action S. 2658, to raise the allowable limits of motor vehicle weights and width limitations now under Federal control of the Interstate System. p. D598

12. POVERTY. Rep. Berry spoke in support of legislation to provide a tax incentive to promote industry on Indian reservations. p. H5388

13. FEDERAL PROGRAMS. Rep. Roth and others discussed the findings of his "research effort designed to ferret out and obtain meaningful information about the myriad federally operated programs providing assistance to the American public." He inserted the catalog including a chapter listing and describing USDA programs. pp. H5434-585

14. FOOD STAMPS. Rep. Halpern commended the operation of the food stamp program in New York and expressed support "for increased funding authorization" for the program. p. H5585

Union Calendar No. 636

90th Congress, 2d Session - - - - - House Report No. 1585

HOUSING AND URBAN DEVELOPMENT ACT OF 1968

REPORT

OF THE

COMMITTEE ON BANKING AND CURRENCY

HOUSE OF REPRESENTATIVES

NINETIETH CONGRESS

SECOND SESSION

TOGETHER WITH

MINORITY VIEWS

ON

H.R. 17989

JUNE 25, 1968.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

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Union Calendar No. 636

90TH CONGRESS } HOUSE OF REPRESENTATIVES { REPORT
2d Session } { No. 1585

HOUSING AND URBAN DEVELOPMENT ACT OF 1968

JUNE 25,1968.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. PATMAN, from the Committee on Banking and Currency, submitted the following

REPORT

[To accompany H.R. 17989]

The Committee on Banking and Currency, to whom was referred the bill (H.R. 17989) to assist in the provision of housing for low and moderate income families, and to extend and amend laws relating to housing and urban development, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

INTRODUCTION

The Housing and Urban Development Act of 1968 as approved by the committee reaffirms our national housing goals and makes extensive modifications and additions to our housing programs to accelerate progress. Since the declaration in the 1949 act that our national objective was "a decent home and a suitable living environment for every American family" our country has invested heavily in the production of housing for low and moderate income families and in the improvement of our towns and cities. While we can take pride in these accomplishments, they have fallen far short of today's needs. Progress has been repeatedly interrupted by periods of tight money and budgetary pressures on the Federal Government. Moreover, population growth and migration to our cities has continued at a high rate, offsetting much of the progress which has been made. A basic factor in the magnitude and urgency of our present housing problems has been the failure to include all parts of our population in the general rise in incomes and wealth. In fact this growth of prosperity has accentuated and may have even widened the gap between the poverty of the

approximately 6 million families who still live in substandard housing and the affluent majority. Because of this contrast and the unrest it has created, the task of our housing and urban development programs is more critical than ever.

The committee bill is designed to add substantially to the production of housing for low and moderate income families. The bill also serves the important objective of making major improvements in our present housing programs. The bill places major emphasis on homeownership for low and moderate income families with its concomitant values of pride and dignity to the individual family and stability and improvement for the community. The bill also carries forward the objective of providing within our housing programs maximum employment opportunity for disadvantaged workers in the community. In addition, the bill continues the emphasis of recent years of increased reliance on private sponsorship under our housing programs and participation by private enterprises in the financing and production of housing.

MAJOR FEATURES OF THE BILL

H.R. 17989 is one of the most comprehensive and forward-looking bills in the field of housing and urban development ever proposed. Its many provisions perfect nearly every one of our existing programs in this field and it contains a number of imaginative new approaches. Here are the highlights of the bill.

Aid for homeownership

The bill would authorize a new program of interest subsidies to low and moderate income families to purchase new or existing homes which they could not otherwise afford (sec. 101).

Liberalized FHA financing

The bill would establish a special high risk insurance fund in FHA (sec. 104) to encourage FHA to approve home loan applications from buyers who cannot meet full standards (sec. 102) and to make insured loans available in neighborhoods which do not meet present FHA requirements (sec. 103).

Aid to housing sponsors

The bill would authorize interest-free loans to cover preconstruction expenses of nonprofit housing sponsors (sec. 106) and would also create a National Homeownership Foundation to provide grants or loans to housing sponsors (sec. 107).

Aid to rental and cooperative housing

The bill would authorize a new program of interest subsidies in behalf of low and moderate income occupants of rental and cooperative housing (sec. 201).

Neighborhood development program

The bill would authorize an alternative form of urban renewal under which a community could elect to carry out a project on the basis of annual budgeting over the period required for completion in place of the present lump sum commitment for the entire project (sec. 401).

Rehabilitation loans and grants

The bill extends the areas eligible for 3-percent rehabilitation loans and rehabilitation grants and increases the maximum rehabilitation grant for low income homeowners from $1,500 to $3,000 (secs. 403 and 409).

Low and moderate income housing

The bill would require that a majority of the housing units provided in the future in urban renewal projects redeveloped for residential purposes must be for low and moderate income families, including at least 20 percent of all units for low income families (sec. 413).

FNMA secondary market

The bill would place FNMA's secondary market operation in a new privately owned corporation and FNMA's special assistance and management and liquidating functions would be retained in a new GNMA within the Department of HUD (title VII).

Rural housing

The bill would authorize the Farmers Home Administration to make direct and insured loans available to low income families in rural areas and small towns with interest rates as low as 1 percent. It also authorizes a new program of grants and loans to aid self-help housing (title IX).

Urban riot insurance

The bill would authorize a new program of Federal reinsurance for private insurance companies to encourage them to write property insurance in areas threatened by riots and civil commotion (title X).

Flood insurance

The bill would authorize a new program of Federal assistance to private insurance companies to encourage them to provide property insurance coverage for flood hazards (title XI).

Mortgage insurance for hospitals

The bill authorizes a new program of FHA mortgage insurance to cover the construction and equipping of nonprofit hospitals (title XII).

Model cities

The bill authorizes an additional $1 billion for fiscal 1970 for the model cities program and also authorizes additional planning funds (sec. 1401).

College housing

The bill would supplement the existing program of 3-percent direct loans for college housing by a new program of interest subsidies for privately financed college housing which would reduce the effective rate to the college to 3 percent (sec. 1405).

BACKGROUND OF THE BILL

The administration's proposals in the field of housing and urban development were submitted to the Congress on February 26, 1968,

and introduced as H.R. 15624, the Housing and Urban Development Act of 1968, and H.R. 15625, the National Insurance Development Corporation Act of 1968. Four weeks of hearings on these and related bills were held by the Subcommittee on Housing from March 12 through April 4. On April 25 and May 1, the subcommittee met in executive session to consider pending legislation on urban riot insurance, including H.R. 15625 and H.R. 14263. A bill was approved by the subcommittee on a vote of 12 to 1 and introduced as H.R. 17003. The Subcommittee on Housing met in executive session on housing legislation on May 21, 22, and 23 and approved for full committee consideration an omnibus housing bill subsequently introduced as H.R. 17651. The urban insurance bill had not been acted on in the full committee and, therefore, was included in H.R. 17651. The omnibus bill was approved by the subcommittee by a vote of 12 to 1.

The full committee on Banking and Currency met in executive session to consider H.R. 17651 on June 3, 4, 5, 6, 11, 12, 13, 17, 18, 19, and 20. Among other amendments to H.R. 17651, the committee added the national flood insurance program provided for in S. 1985 (with an amendment) as discussed in the text on title XI in this report. On June 19, H.R. 17989 was introduced as a "clean" bill reflecting the amendments adopted, and on June 20 this bill was approved by a vote of 22 to 6.

"RED TAPE" IN FEDERAL PROGRAMS

In reference to the several programs administered by the Department of Housing and Urban Development, including those which would be extended by the bill, the committee desires to call attention to the continuing dissatisfaction, within the Congress and outside, with excessive redtape, extensive delays in processing applications, inordinately cumbersome and complicated procedural requirements. The committee's hearings reveal considerable evidence of this.

The committee strongly urges the Department to redouble its efforts to achieve a greater degree of uniformity and standardization in program requirements, to simplify procedures, to expedite the consideration of proposed projects, to provide more useful and specific assistance to communities, organizations, and individuals seeking to utilize the programs, and to enable potential beneficiaries to adapt programs more specifically to their individual needs.

The committee is concerned that, in the absence of more effective efforts to eliminate these problems, the various programs we have enacted will tend to benefit exclusively those communities and groups which can afford to employ high priced staffs and consultants whose expertise gives them a disproportionate advantage over other applicants in availing themselves of Federal assistance.

At a time when limited resources and compelling needs combine to increase competition for available Federal help, the committee believes the Department must take extraordinary measures to assure both equitable treatment of applicants and the maximum effectiveness, in terms of visible results, of its programs.

EXPLANATION OF THE BILL

SHORT TITLE

Section 1 of the bill cites the bill as the "Housing and Urban Development Act of 1968."

DECLARATION OF POLICY

Section 2 of the bill reaffirms the national goal as set forth in section 2 of the Housing Act of 1949 of "a decent home and a suitable living environment for every American family." In addition, the Congress finds that this goal has not been fully realized for many of the Nation's lower income families and states this is a matter of grave national concern. The Congress further declares that the programs authorized by this act are designed to give the highest priority toward meeting the housing and employment needs of those families for which the national goal has not become a reality. In addition, the Congress declares that in carrying out the programs contained in this bill the fullest practical utilization of the resources and capabilities of private enterprise and of individual self-help techniques should be employed.

JOBS IN HOUSING; EMPLOYMENT OPPORTUNITIES FOR LOWER INCOME PERSONS IN CONNECTION WITH ASSISTED PROJECTS

Section 3 of the bill provides that, in administering housing programs authorized by section 221(d)(3), and the proposed new sections 235 and 236 of the National Housing Act; the low-rent public housing program of the U.S. Housing Act of 1937; and the rent supplement program under section 101 of the Housing and Urban Development Act of 1965, the Secretary of HUD shall require, to the greatest extent feasible, that opportunities for employment arising in connection with construction or rehabilitation of housing assisted under such programs be given to lower income persons residing in the area of such housing and, thereby, provide not only housing but also jobs for these persons. In addition, the Secretary of HUD should seek to achieve the same objective in other federally assisted programs, such as urban renewal, that provide long-term employment opportunities for low and moderate income residents of the inner city.

IMPROVED ARCHITECTURAL DESIGN IN FEDERAL HOUSING PROGRAMS

Section 4 of the bill expresses the committee's concern that present federally assisted housing programs for low- and moderate-income families have not utilized fully or contributed to architectural standards of good design. In recent years, FHA has recognized that good architectural design is a necessary and desirable component of the housing built under its nonsubsidized mortgage insurance programs. However, too often reluctance has been expressed about encouraging or making use of innovations in architectural standards, as well as good design in general, in not only such programs as the 221(*d*)(3) below-market interest rate program but also in such other programs

as public housing and the direct loan elderly program. Such reluctance has frequently sprung from a concern that good design must necessarily cost more than poor or mundane design and that, therefore, it would be inappropriate to expend public funds for that purpose.

It was never the intention of the committee to inhibit the interest of architects and private developers in federally supported projects because of their anticipation that superior designs for living, within statutory budget limitations, would be rejected if it were found that these projects could be build more cheaply through the elimination of useful or attractive features. On the contrary, the intent of the committee has been to encourage the best possible design which, within the framework of prudent budgeting, would contribute to the general betterment of living.

This section, therefore, declares that, in administering housing programs which assist in the provision of housing for low- and moderate-income families, emphasis should be given to encouraging good design as an essential component of such housing. Further, emphasis should be given to developing housing of a quality which reflects its important relationship to the architectural standards of the neighborhood and community in which it is situated. The committee believes that this declaration of congressional intent is especially important because of the new housing programs provided in this bill and because of the increased funding provided for existing programs. The committee expects that, within applicable statutory cost limitations, program administrators will accept proposals incorporating design features and materials which, while avoiding extravagance, contribute to better living, more efficient maintenance, or improvement of the surrounding environment. Therefore, reasonable costs attributable to design considerations should be approved if justified by achievement of these goals.

Title I—Low and Moderate Income Housing

HOMEOWNERSHIP FOR LOW AND MODERATE INCOME FAMILIES

Section 101 of the bill would establish a homeownership assistance program for low and moderate income families in a new section 235 of the National Housing Act. The homeownership assistance would be provided in the form of periodic payments to the mortgagee which would serve to reduce interest costs on a market-rate home mortgage or a cooperator's share of a cooperative association's mortgage. In addition, the provisions of the present section 221(h) of the National Housing Act, in expanded form, would be incorporated into the new section, and the nonprofit organization sponsoring the project, as well as the individual low and moderate income purchasers, would be eligible to receive the benefits of assistance payments. The committee expects, however, that the section 221(h) program would be utilized to the greatest extent practicable until the new section 235 becomes fully operational and adequately funded, but the sale of any individual units held by a nonprofit mortgagor under section 221(h) could be financed under the new program.

To bring the monthly payments under the market-rate mortgage down to a level which a low and moderate income family could afford, the Secretary of HUD would make periodic assistance payments on behalf of the homeowner to the mortgagee in an amount necessary to make up the difference between 20 percent of the family's monthly income and the required monthly payment under the mortgage for principal, interest, taxes, insurance, and mortgage insurance premium. In no case, however, could the payment exceed the difference between the required payment under the mortgage for principal, interest, and mortgage insurance premium and the payment that would be required for principal and interest if the mortgage bore an interest rate of 1 percent.

The amount of the subsidy would vary according to the income of the homeowner. This enables the assistance to be based on the homeowner's need, and enables the program to help a broad range of lower income families. For most of the Nation, families with incomes in the general range of $3,000 to $7,000 will be able to buy homes under this program and, thus, benefit by it. Since income of most of these families is expected to rise, the bill provides for income to be recertified at least every 2 years and appropriate adjustments to be made in the assistance payment to reflect any changes. Many assisted homeowners can thus be expected to be able ultimately to afford the full monthly payment under their mortgages.

In calculating the gross income of the homeowner on which the 20-percent computation will be made, there will be deducted $200 for each minor child who is a member of the homeowner's immediate family and living with him. Also, income of minors will not be included in the homeowner's income for this computation.

The families who will qualify for assistance under this new program could not have incomes in excess of these prescribed by the Secretary of HUD for the area in which they seek to purchase a home. These limits, dependent on family size, would be determined in part on the general basis of the cost, in the area, of standard, new single-family homes of modest but adequate construction. In keeping with this principle, the amount of the mortgage could not exceed $15,000 ($17,500 in high-cost areas). These limits would be increased to $17,500 and $20,000, respectively, for larger families. No assistance under this program would be given to assist a family purchasing a home which is extravagantly designed or is clearly too large for the present or future needs of the family. Also the Secretary would be required to prescribe regulations to assure that the consideration paid for homes under this program is not increased above the home's appraised value. This would prevent the price of the unit from being increased because of the availability of the subsidy assistance.

The following table shows the probable range of assistance payments for various income levels and mortgage amounts, assuming a 6¾ percent, 35-year mortgage with a one-half of 1 percent mortgage insurance premium.

ESTIMATED MONTHLY ASSISTANCE PAYMENTS UNDER SEC. 235, BY MORTGAGE AMOUNT AND HOMEOWNER'S ANNUAL INCOME BASED ON 6¾-PERCENT 35-YEAR MORTGAGE WITH ½-PERCENT MORTGAGE INSURANCE PREMIUM

Adjusted annual income [1]	20 percent of monthly income	Mortgage amount						
		$8,000	$10,000	$12,000	$14,000	$15,000	$17,500	$20,000
$3,000	$50	$17.63	$32.84	$45.72	[2]	[2]	[2]	[2]
$3,600	60	7.63	22.84	39.66	$53.34	$57.15	[2]	[2]
$4,200	70	----	12.84	29.66	46.52	54.85	$66.68	[2]
$4,800	80	----	[3]	19.66	36.52	44.85	66.27	$76.20
$5,400	90	----	----	9.66	26.52	34.85	56.27	76.20
$6,000	100	----	----	----	16.52	24.85	46.27	67.52
$6,600	110	----	----	----	6.52	14.85	36.27	57.52
$7,200	120	----	----	----	----	[3]	26.27	47.52
$7,800	130	----	----	----	----	----	16.27	37.52
Monthly payment due the mortgagee		67.63	82.84	99.66	116.52	124.85	146.27	167.52
Maximum subsidy (based on a 1-percent interest rate)		30.48	38.10	45.72	53.34	57.15	66.68	76.20

[1] Total income of family less $200 for each minor child and any income earned by a minor child.
[2] Cost to buyer would exceed 25 percent of his monthly income in addition to assistance payments in order to meet payments on this mortgage amount.
[3] Less than $5.

Source: Department of Housing and Urban Development.

The amount of estimated monthly assistance payment, for example, for a $14,000 mortgage would be $46.52 for a family with an annual income of $4,200, and $26.52 for a family with a $5,400 income. No entry is made for the amount of the assistance payment if it appears inadequate to enable the family to afford the mortgage payment. Thus, it is not expected that a family with a $3,000 annual income would purchase a home under this program requiring a mortgage of $14,000. The exact cutoff points used for purposes of this table are merely illustrative, however, and not absolute.

In order to achieve the substantial increase in the number of dwellings available to low and moderate income families that is sorely needed, the committee expects that assistance under this new program will be oriented toward new or substantially rehabilitated units, or, in the case of condominium or cooperative units, those completed no more than 2 years prior to the filing of the application for assistance payments and previously unoccupied, except for the family who is to receive the assistance. The existing supply of good, low-cost housing is entirely inadequate and shows little tendency to improve without the impetus a program such as this can give it. As under FHA's regular home mortgage program (sec. 203), homebuilders could plan the housing and have it approved by FHA prior to the beginning of construction, thereby enabling the builder to obtain construction financing on the basis of FHA conditional mortgage insurance commitments.

Existing housing units, however, would be eligible under this program if the units meet standards prescribed by the Secretary. The committee expects that the Secretary will allocate contract funds between existing and new housing units in a manner which furthers the long-range housing goal of providing a decent living environment for all American families. It further expects that, in areas where the housing market is tight and added demand for existing housing could seriously inflate prices, the Secretary will generally permit assistance only with respect to new or substantially rehabilitated dwellings.

Also authorized for assistance under this new section are those families acquiring their dwelling unit in a rental project receiving rent supplement assistance or one covered by a mortgage under the new section 236 of the National Housing Act (proposed by sec. 201 of the bill). Assistance would also be available to a family purchasing a two-family dwelling with the assistance of a nonprofit organization where substantial rehabilitation of the property is necessary and has been approved prior to the beginning of the rehabilitation. The family naturally would have to occupy one of the units.

A preference would be given in allocating contract funds to displaced families (those displaced from an urban renewal area, displaced as a result of governmental action, or displaced as the result of a major disaster), families with five or more children, and families occupying low-rent public housing.

Mortgages with respect to which assistance would be made under this section would generally meet the requirements of either section 221(d)(2) sales housing for low and moderate income families; section 234 condominium housing; section 213 cooperative housing; or the provisions of section 221(h) incorporated into this section (subsection (j)). In addition, families eligible for insurance under the above sections (except sec. 213), but who must obtain insurance under section 237 (proposed by sec. 102 of the bill) because of their credit or income ratings, would be eligible for assistance payments under this section. The downpayment requirements for purchasers of single-family homes and condominium units under section 235(i) would be at least $200 for a displaced family and 3 percent for all others.

For cooperative members receiving assistance, the payment would be based on their proportionate share of the obligations under the project mortgage and using the same formula as for individual mortgages. The assistance payment in all cases, whether an individual mortgage or a project mortgage, would cease when the family for whom the assistance payment is being made ceases to occupy the home, condominium unit, or cooperative unit, except that assistance payments could continue when the mortgage on a home, purchased from a nonprofit organization under subsection (j), is assumed by an eligible purchaser.

Subsection (j) of the new section 235 would authorize insurance of blanket mortgages of nonprofit organizations to assist them in acquiring housing for subsequent resale to low- and moderate-income purchasers, as is possible now under section 221(h) of the National Housing Act. Under subsection (j), the bill would provide for the purchase by a nonprofit sponsor and resale of existing standard units as well as the purchase, rehabilitation, and resale of deteriorating or substandard units; permit the inclusion of two-family dwellings if one of the units is to be occupied by the owner; reduce the minimum required number of dwelling units covered by the blanket mortgage of the nonprofit sponsor from five to four (where housing not in need of rehabilitation is purchased, the mortgage of the nonprofit association may cover as few as one unit); and authorize the blanket mortgage to cover four or more units in a multifamily structure under a condominium ownership plan. The income levels would be the same as those authorized for other purchasers under section 235, instead of the present limit to low-income purchasers.

The nonprofit organization during any rehabilitation would pay interest, on the advances made, at the market interest rate, as is done at present under 221(h). If there are any units still under the nonprofit organization's blanket mortgage when it is time to finally endorse the mortgage for FHA insurance, the mortgagor would make monthly payments of principal and interest as if the mortgage bore a 1-percent interest rate, with the difference between this payment and the required payment for principal, interest, and mortgage insurance premium under its market rate mortgage being paid to the mortgagee by the Government.

Mortgages insured under section 235 would be the obligation of the new Special Risk Insurance Fund (proposed by sec. 104 of the bill).

Since many of the families who would be assisted have had little experience in the proper care of a home and the budgeting of income to meet regular monthly payments on a mortgage, this section would authorize appropriate counseling, either directly by HUD or by contract with public or private agencies, to assist these families in meeting their new responsibilities. Appropriations would be authorized for this purpose.

This section would provide authority to enter into assistance payment contracts, as approved in appropriation acts, in the amount of $75 million annually in fiscal year 1969. This amount would be increased by $100 million in fiscal year 1970, and by $125 million in fiscal year 1971. This would be enough to enable nearly one-half million families to become homeowners.

Assistance under this new section 235 would be available in both urban and rural areas. However, insofar as the administration of this section in rural areas is concerned, the Secretary would be directed to transfer a reasonable proportion of the approved contract authority to the Secretary of Agriculture for the implementation thereof as agreed upon by the two Secretaries. Section 513 of the Housing Act of 1949 would be amended by section 903 of the bill to authorize appropriations to pay for Agriculture's administrative expenses in connection with any such assignment.

Section 101 would also make several changes to the section 221(h) program to maintain it as a viable program and to increase its effectiveness. First, insurance of mortgages up to $15,000 would be authorized for the rehabilitation or improvement (and the refinancing of any existing indebtedness) of dwellings originally purchased by the owner-occupant from a nonprofit organization of the type eligible under section 221(h). Second, an interest rate as low as 1 percent would be authorized (the present minimum rate for below-market mortgages under 221(h) is 3 percent) for purchasers whose income is low enough to warrant the lower rate. As a result, the individual mortgages under section 221(h) would bear interest between 1 and 3 percent, depending on the incomes and needs of the homeowner. Third, the limit on the aggregate principal balance of all mortgages executed by nonprofit sponsors and outstanding at any one time would be increased from $20 to $50 million.

Other provisions of section 101 of the bill would (1) increase the mortgage limits on single-family dwellings under section 221(d)(2) of the National Housing Act to correspond to the limits provided in

the new section 235, (2) permit a mortgagor under section 221(d)(2) (and, therefore, also one eligible under sec. 235) to contribute the value of his labor to the acquisition cost of his dwelling, (3) authorize the Secretary to reimburse the mortgagee for his expenses in handling a 235 mortgage, and (4) make the labor standards of section 212 of the National Housing Act applicable to work financed under blanket mortgages of nonprofit organizations insured under section 235 to the same extent as now applicable to such mortgages insured under section 221(h) of such act.

CREDIT ASSISTANCE

Section 102 of the bill would authorize, through a new section 237 of the National Housing Act, FHA mortgage insurance for those families of low and moderate income who cannot qualify for mortgage insurance under existing FHA housing programs because of their credit histories or irregular income patterns, but who the Secretary of HUD finds are reasonably satisfactory credit risks and capable of homeownership with the assistance of budget, debt management, and related counseling.

Mortgages insured under this program would have to meet the basic requirements under one of the various FHA home mortgage programs (including the new programs authorized by sec. 235, proposed by sec. 101 of this bill, and by sec. 221(i), proposed by sec. 105 of this bill). The credit and income requirements of the particular section would not apply, however, and the principal obligation of the mortgage could not exceed $15,000 ($17,500 in high-cost areas). However, the lower mortgage limits prescribed under subsections (h) and (i) of section 203 would govern, when mortgage insurance is sought pursuant to them.

Insurance would not be authorized under section 237 unless the monthly mortgage payments for principal and interest, including payments for local real estate taxes, could be paid with 25 percent or less of the mortgagor's average monthly income, computed over the previous year or the previous 3 years, whichever is higher. The interest rates and mortgage insurance premiums would be the same as those under the existing programs.

The purpose of section 102 is to provide assistance to families of modest means who aspire to purchase homes but cannot obtain mortgage financing because of flaws in their credit histories or instability in their earning records. The Secretary would be required to search behind these flaws to determine whether delinquent accounts were ultimately paid or involved extenuating circumstances, or whether irregular employment and income patterns were due to such factors as seasonal employment, with income otherwise at levels of eligibility over the previous 2 years. Consideration would be given to any other factors which would indicate that the families could maintain homeownership.

An important element in this program is the counseling, either directly or by contract with public or private organizations, the Secretary would provide mortgagors and to prospective homeowners who lack sufficient funds to supply a downpayment. While many families who would be eligible for mortgage insurance under this section have strong aspirations to become homeowners, their experience in handling

large financial responsibilities may be meager. Through counseling, these families can be helped to use their resources efficiently in meeting homeownership responsibilities.

Preference under the new program would be given to families living in public housing and especially those required to leave because their incomes have risen beyond the maximum prescribed by the local housing authority, as well as those eligible for public housing residence who have been displaced from federally assisted urban renewal areas.

The proposed program would be essentially experimental, and there would be no change in FHA insurance of home mortgages at or below the maximum mortgage limits prescribed by this section. Those who now qualify would continue to qualify, and only those who would have been rejected in the past as marginal credit risks would have their mortgages insured under the new section 237.

In authorizing this new program, it is not the intention of the committee to have local FHA directors use the new section 237 program as an excuse for careless underwriting practices, arbitrarily placing all marginal applicants into the special risk fund without concern for the real worthiness of the case. Contrariwise, the committee believes that the FHA should sharpen its underwriting tools and improve its ability to judge the true merits of various applicants for insurance, particularly those of low and moderate income. In general, the committee believes that existing FHA rules for credit approval should be made more realistic and workable for low and moderate income families. The credit requirements are often applied too stringently in reviewing credit histories. Thus, the credit report of a prospective purchaser or cooperative member may indicate that at some time in the past he had difficulties in meeting certain obligations, which frequently occurs among lower income families. Yet, this should not be a bar to homeownership or cooperative membership if it can be demonstrated that the person had a good record in meeting comparable monthly charges for housing during recent years.

The principal balance of all mortgages insured under section 237 and outstanding at any one time would be limited to $100 million. There are large numbers of families in the low and moderate income brackets whose living conditions would be substantially improved through homeownership which many can afford if only helped to allocate their resources properly. This program would generate the experience necessary to help these families help themselves.

RELAXATION OF MORTGAGE INSURANCE REQUIREMENTS IN CERTAIN URBAN NEIGHBORHOODS

Section 103 of the bill would amend section 223 of the National Housing Act, by adding a new subsection (e), to give FHA more flexible authority in providing financing for the repair, rehabilitation, construction, or purchase of property located in older, declining urban areas. Under the amendment, FHA would be able to accept for insurance mortgages on properties which may not, because of the area in which they are located, be able to meet all of the normal eligibility requirements. Acceptance of these mortgages would be permitted where FHA is able to establish that the area is reasonably viable, giving consideration to the need for providing adequate housing for families of

low and moderate income in the area, and that the property is an acceptable risk in view of such consideration.

Under a 1966 amendment to section 203 of the National Housing Act, the Secretary of HUD is authorized to insure mortgages for one- to four-family properties located in an area where rioting or other disorders have occurred or are threatened, without regard to economic soundness, provided the properties are an acceptable risk, giving consideration to the need for providing adequate housing for families of low and moderate income in that area. The provision, waiving the economic soundness requirement, enabled the FHA to insure mortgages on housing in some of the older, declining urban areas, but it has not provided the flexibility required to finance all of the types of housing needed in all such areas.

The provision of adequate housing in these areas involves the repair, rehabilitation, and construction of a variety of housing types. The 1966 amendment to the FHA section 203 home mortgage program, only provides financing for one- to four-family housing and is limited to areas identified with riots or other disorders. This proposed amendment would permit the FHA to expand the use of its various other housing programs in these areas. It would also expand the areas, in which exception would be made, to all older, declining areas without regard to riots or disorders.

Section 103 would permit FHA to waive any other statutory limitation on such items as loan to value, size of dwelling unit, or maximum mortgage amount, if such limitation would prevent the insurance of an otherwise acceptable risk to carry out the purpose of this section. However, the labor standards of section 212 of the National Housing Act would continue in effect and could not be waived. In addition to one- to four-family sales units, financing could be provided for rental or cooperative projects and for individual ownership of apartments in a condominium project.

Because of high risks involved in insuring mortgages in such areas mortgages insured pursuant to this new authority would be the obligation of the new Special Risk Insurance Fund (proposed under sec. 104 of this bill).

This amendment is being proposed as a substitute for section 203(l), the provision added in 1966, and, therefore, includes repeal of the 1966 provision since it would no longer be needed.

SPECIAL RISK INSURANCE FUND

Section 104 of the bill would establish, through a new section 238 of the National Housing Act, a "Special Risk Insurance Fund," which would not be intended to be actuarially sound and out of which claims would be paid on mortgages insured under the new sections 235—homeownership assistance (proposed by sec. 101 of the bill); 236—assistance for rental and cooperative housing (proposed by sec. 201 of the bill); and 237—credit assistance (proposed by sec. 102 of the bill); as well as those mortgages insured pursuant to the authority contained in the amendments to section 223—properties in older, declining urban areas (proposed by sec. 103 of the bill) and section 233—development of new technologies for lower income housing (proposed by sec. 108 of the bill).

The fund would be established with a $5 million advance from the general insurance fund, which would be repayable at such time and at such interest rates as the Secretary of HUD deemed appropriate. Since these programs cannot be expected to be operated on an actuarially sound basis if the insurance premium charge is to be set at a reasonable level, appropriations to the fund would be authorized to cover any losses sustained by the fund in carrying out the mortgage insurance obligations of these programs. The term losses, as used in this provision, is the same as presently appears in a similar authority under section 221(f) of the National Housing Act. In both instances, it is intended that the Secretary be able to obtain appropriations to cover anticipated or projected losses as well as actual losses, in order to provide adequate operating funds during the long period required to liquidate properties.

Insurance benefits would generally be similar to those authorized for mortgages insured under secton 221 of the National Housing Act. Payments on claims would be made either in cash or debentures and could be in an amount equal to the unpaid principal balance of the loan plus any accrued interest and any advances made by the mortgagee with approval of the Secretary and under the provisions of the mortgage, where permitted in the regulations prescribed by the Secretary. Income such as insurance premiums and service charges in connection with the covered programs would be deposited in the new fund. Administrative expenses in connection with these programs and expenses incurred with respect to defaults would be charged to the fund.

The programs using this new fund would generally involve some form of subsidy for families of low and moderate income and those families who are poor credit risks or who wish to buy property in areas where mortgage insurance would not normally be available. However, it is also intended for use under section 237 for families who would receive no subsidy but who would not otherwise be eligible for insurance because of inability to meet credit requirements. The regular FHA mortgage insurance reserves cannot be expected to absorb these several new programs without impairment. The establishment of a special insurance fund would be consistent with the intent to provide a subsidy element for these families by operating with supplemental appropriations, where necessary.

CONDOMINIUM AND COOPERATIVE OWNERSHIP FOR LOW AND MODERATE INCOME FAMILIES

Section 105 of the bill would amend section 221 of the National Housing Act, by adding new subsections (i) and (j), to provide another mechanism by which low and moderate income families could attain an ownership interest in their dwellings. It would do this by permitting section 221(d)(3) below-market interest rate rental projects to be converted to condominium or cooperative ownership.

Under the new subsection (i), a low or moderate income purchaser could purchase an individual family unit and an undivided interest in the common areas and facilities of the project at a price not in excess of the appraised value of the property. At least a 3-percent downpayment would be required, which could be applied in whole or in part toward closing costs.

The purchase could be financed with a mortgage, with a maximum term of 40 years, which bears an interest rate no less than the below-market interest rate in effect with respect to 221(d)(3) projects at the time the commitment to insure the mortgage is issued. The mortgage would contain a provision permitting the Secretary to increase the interest rate, up to the maximum permissible under section 221 at the time the mortgage commitment was issued, upon determination that the mortgagor's annual income had increased to an amount permitting payment of a greater rate of interest. If the original mortgagor ceases to occupy the property, the rate would also increase to the highest rate permissible at the time of commitment, unless the property is sold to a nonprofit purchaser approved by the Secretary or to a low or moderate income purchaser whose income is within the limits established for occupancy in a below-market interest rate project insured under section 221(d)(3).

Under the new subsection (j), a cooperative, with membership open only to low and moderate income families meeting income limits prescribed for section 221(d)(3) below-market interest rate projects, could purchase the project for an amount not exceeding the appraised value of the property for continued use as a cooperative at the below-market interest rate in effect at the time the commitment to insure the mortgage is issued. However, occupants of the project at the time of conversion, whose incomes had increased over the applicable limits, could be allowed to become members of the cooperative under special terms set by the Secretary of HUD.

Under both of these new sections the Secretary would be authorized to waive all or part of the premium, since the mortgages would carry a below-market interest rate and would serve families in the same general income bracket as those served under subsections (d)(3) and (h) of section 221 for which similar authorityt now exiss.

ASSISTANCE TO NONPROFIT SPONSORS OF LOW AND MODERATE INCOME HOUSING

Section 106 of the bill would authorize the Secretary of HUD to undertake a program of technical assistance, with respect to the construction, rehabilitation, and operation of low and moderate income housing to nonprofit sponsors of such housing. It would also authorize the Secretary to provide financial assistance, in the form of 80-percent interest-free loans, to cover certain preconstruction costs of nonprofit sponsors in connection with their low and moderate income housing undertakings under federally assisted programs, and would establish a revolving fund, entitled the low and moderate income sponsor fund, for this purpose, with an authorization for appropriations of $7.5 million in fiscal year 1969 and $10 million in fiscal year 1970.

Much of the Federal housing policy for low and moderate income families has been geared to the use of the nonprofit sponsor. However, despite the authority in the law to utilize nonprofit sponsors under many of the existing programs, the experience so far has not been satisfactory. Often, nonprofit sponsors have been lacking in experience and technical capacity to develop housing. An effective program of technical assistance to nonprofit housing sponsors is essential if they are to play a vital role in the production of housing for low and

moderate income families. Such a program would deal with problems of sponsor-builder relationship, principles for planning, financial responsibility, and allied matters, and would emphasize the human aspects of involvement with the community and development of management that is responsive to tenant needs. The assistance could be provided either directly or by contract with public or private organizations.

The provision of loans to cover certain preconstruction costs is essential if nonprofit organizations are to have a significant role in the expanded low and moderate income housing program. Current practice requires the sponsor to pay for market surveys, architectural and engineering needs, land options and acquisition, and other preconstruction costs, before the Federal loan or insured financing can be obtained. These must be paid in advance and often create a hardship on the small nonprofit organization. The costs covered by these loans would be included in the final financing and would be returned to the revolving fund when the financing becomes available. However, the Secretary would be authorized to cancel any part or all of a loan that he determines cannot be recovered from the proceeds of the permanent financing. The Secretary would be required, prior to making a loan, to determine that the nonprofit organization meets such requirements with respect to financial responsibility and stability as he may prescribe.

The housing goals sought to be obtained under the new legislation proposed in sections 101 and 201 of the bill will rely in a good part on obtaining good nonprofit sponsorship. The new authority provided by this section for technical and financial assistance to nonprofit organizations, involved or interested in such sponsorship, will help to achieve that goal. The assistance authorized by this section would also be available to nonprofit sponsors under other programs, such as, for example, the section 221(d)(3) BMIR program, the section 231 senior citizens housing program, and the section 515 rural housing program.

NATIONAL HOMEOWNERSHIP FOUNDATION

Section 107 of the bill would create a National Homeownership Foundation, the purpose of which is to provide technical and limited financial assistance to private and public organizations which desire to organize for the purpose of assisting in providing housing and homeownership opportunities for lower income families. The Foundation would consist of an 18-member Board, 15 of whom would be appointed by the President with the advice and consent of the Senate. The remaining three members would be the Secretary of Housing and Urban Development, the Secretary of Agriculture, and the Director of the Office of Economic Opportunity. This section also authorizes the appropriation of $10 million to be used by the Foundation in carrying out its prescribed functions which are detailed below. The section also requires the Foundation to make an annual report to the President and the Congress on its activities and findings, and the financial activities of the Foundation would be subject to GAO audit.

Although the provisions of the bill establishing the National Homeownership Foundation are contained in title I of this bill, it should be pointed out that homeownership is not the only purpose of the Foundation. The Foundation would have broad authority to provide

assistance to improve housing conditions for lower income families and would extend beyond the federally assisted homeownership programs contained in this title.

The committee felt that one of its responsibilities was to encourage private sector involvement in all aspects of our Nation's housing problems. There is ample evidence that the private sector is anxious to participate in the solution of our housing problems but that it finds it difficult to know how it can help. The National Homeownership Foundation provides a mechanism whereby the private sector can make such a contribution.

In order to encourage the increased development of organizations which would approach housing and homeownership programs for lower income families on a private basis, the committee recommends the establishment of the National Homeownership Foundation. The Foundation could be a principal vehicle through which local community and neighborhood organizations would be able to undertake programs of housing and homeownership opportunities for families of lower income. The Foundation would encourage the establishment of such community-based organizations and would continue to play a vital role in standing ready to assist these organizations in the development and implementation of housing and homeownership programs.

The Foundation would be a Government-chartered, nonprofit corporation. Its 18-member Board of Directors would emphasize private sector membership with representation from such fields as finance, business, organized labor, State and local public agencies, local nonprofit organizations actively involved in the fields of housing and community development, and the general public. Members of the Board would serve for 3-year staggered terms and would be appointed by the President with the advice and consent of the Senate. In order to facilitate cooperation with Federal agencies, the Board would also include as ex-officio voting members the Secretary of Housing and Urban Development, the Secretary of Agriculture, and the Director of the Office of Economic Opportunity.

The Foundation would be required to submit to the President and to Congress an annual report on its activities. In addition, the committee felt that the Foundation should also advise Congress whenever in its judgment the general unavailability of money in the mortgage market is sufficiently serious to deter the Foundation from carrying out its objectives of expanding housing and homeownership opportunities for lower income families.

In order to avoid duplication of effort, the Foundation would be required to coordinate its activities with all Federal agencies involved in housing programs.

Functions

The committee feels that if local community and neighborhood organizations are to be used successfully in helping to solve the problems of substandard and inadequate housing for lower income families, they should have technical and financial assistance available to them. Some limited assistance is now available through existing Federal programs. However, to meet the considerable needs of these organizations in a more coordinated fashion, the Foundation would be permitted to make technical and financial assistance available to them.

It is contemplated that the Foundation will not borrow money. However, to meet emergency situations, the Foundation is permitted to borrow, using for the principal and interest on this borrowing only donated funds and interest from the loans it has made.

The foundation could provide technical assistance to the organizations in order to—

1. Encourage local public and private programs of housing and homeownership opportunities for lower income families.
2. Assist in establishing such programs, including the establishment of local development funds.
3. Assist these organizations in finding the proper personnel to implement successfully these programs.
4. Assist these organizations in obtaining financing and mortgage insurance for these programs.
5. Assist these organizations to establish a counseling service to help lower income families gain access to job training and manpower programs.
6. Arrange for (or provide on a limited basis) training for personnel.
7. Encourage research and innovation in the housing and homeownership field and establish an information program on housing opportunities.

The committee also recognized that on a limited basis there was a need for financial assistance to assist these organizations. It was the feeling of the committee that the local organizations should use to the maximum extent feasible Federal programs, but grants and loans would be available from the Foundation to fill unmet needs, to experiment, and to initiate new programs when not available from Federal sources. Such financial aid would be limited to—

1. Organizational and administrative expenses incurred in commencing the operation of a program, or in expanding an existing program, to the extent that the activities are related to providing homeownership and housing opportunities for lower income families.
2. Necessary preconstruction costs incurred for architectural assistance, land options, application fees, and similar items.
3. The costs of carrying out programs providing counseling and similar services to lower income families for whom housing is being provided in such areas as home management, budget management and home maintenance, in order to enable these families to achieve and afford adequate housing.

However, any application for a grant and loan must be submitted to the local governmental body for its recommendations and these recommendations would be required to be considered by the Board of Directors before any award is made.

Financing

This section of the bill would authorize an appropriation of $10 million to carry out the activities of the Foundation. It was felt that the private sector could demonstrate its willingness to assist in providing housing and homeownership opportunities by making private contributions to the Foundation.

NEW TECHNOLOGIES IN THE DEVELOPMENT OF HOUSING FOR LOWER INCOME FAMILIES

Section 108 of the bill would encourage the development of new housing technologies and their testing on a large scale. The purpose of this experimentation is to find ways of providing decent housing at low cost. The cost of conventional materials and methods of construction has steadily spiraled beyond the reach of lower income families.

Under this program, the Secretary of HUD would evaluate plans submitted by qualified public or private organizations for the large-scale development of housing for lower income families, using new and advanced technologies adaptable to mass production methods. Approved plans would be carried out with private financing, but mortgage insurance would be provided under section 233 of the National Housing Act—the experimental housing insurance program.

Projects carried out under section 233 demonstrating new technologies have been of small scale involving relatively few units. As a result, no definite evaluation has been possible of the cost reductions obtainable from economies of scale or mass use of prefabricated assembly. To insure experimentation on an adequate scale, this section limits the number of approved plans to no more than five, but requires that each plan be capable of producing at least 1,000 units a year over a 5-year period, so that each plan would be tested in depth.

Because of the limited number of plans that can be approved under this program the Secretary would be expected to exercise his discretion to choose only those which would best demonstrate the feasibility of significantly lowering the cost of housing construction and which are backed by adequate financial resources. The committee wishes to emphasize that the Secretary is under no direction to approve any plan unless it is clearly qualified.

Once a plan has been carried out, the Secretary would evaluate it with a view to determining (1) the detailed cost breakdown per dwelling unit, (2) the environmental quality achieved in the units, and (3) the effect which local housing codes and zoning regulations have, or would have if applicable, on the cost per dwelling unit. At the earliest practicable date, the Secretary would report his findings to the Congress, together with any recommendations for legislation to expand the supply of housing for lower income families provided through the use of the new technologies tested.

To assure that adequate land is available, this section authorizes the transfer of excess Federal property from the General Services Administration to the Secretary for use in this program. Land thus transferred could be sold by the Secretary, under a delegation of authority from GSA, at its fair market value and in accordance with the regular provisions of law governing the disposition of excess Federal property.

Housing constructed under this program could involve either rental or sales housing, single-family or multifamily housing. Although the mortgages would be insured under section 233, the Secretary would have the same authority with respect to any project that he would have if the project met the requirements of another housing program, in-

cluding the subsidy programs such as the proposed section 235 homeownership program, the proposed section 236 rental housing program, rent supplements, and the section 221(d)(3) below-market interest rate program. For example, experimental housing for lower income families meeting the requirements of the section 235 program would be eligible to receive the benefits of homeownership assistance payments in the same manner and from the same funds as housing insured under section 235. This authority would apply to all housing built with mortgages insured under section 233, not just under the plans authorized by this section.

The committee believes that the proposed experimental housing program should eventually lead to cost reductions in housing that will greatly improve living conditions among lower income families and reduce the extent to which governmental expenditures are needed to help these families secure decent housing. However, in view of the broad experimentation that would be encouraged and emphasis on providing housing for lower income families, any losses incurred under this new program would be the obligation of the new Special Risk Insurance Fund proposed by section 104 of this bill.

INSURANCE PROTECTION FOR HOMEOWNERS

Section 109 of the bill would authorize the Secretary of HUD, in cooperation with the private insurance industry, to undertake a study and to develop a plan for the establishment of an insurance program to help homeowners meet their mortgage payments in times of personal economic adversity. In addition, this section of the bill requires the Secretary to report to the Congress, within 6 months following the date of enactment, on his actions under this section and recommend to the Congress such legislation as he deems appropriate to authorize him to enter into agreements with insurance companies to provide home mortgage insurance protection for homeowners.

The committee considered limiting the Secretary's responsibility to report only on Government-assisted mortgages but finally agreed that a study should be made of the feasibility of preparing a plan of insurance for all mortgagors; but if, in the judgment of the Secretary, the only possible plan would apply to Government-assisted mortgages, the committee would consider as satisfactory a report covering only such mortgages.

The committee believes that in developing such a plan, the Secretary should bear in mind that insurance should be provided against such contingencies as foreclosure due to curtailment of income resulting from factors beyond the effective control of the homeowner including such elements as death, disability, illness, and unemployment. The committee also feels that such a program should be designed to be actuarially sound through the use of premiums, fees, extended or increased payment schedules, or other similar methods in conjunction with such Federal financial participation as may be necessary.

In preparing his recommendations, the Secretary should consult with all other Federal agencies which insure or guarantee home mortgages in order that his recommendations may afford equal benefits to mortgagors participating in such programs.

Title II—Rental Housing for Low and Moderate Income Families

Part A—Private Housing

RENTAL AND COOPERATIVE HOUSING FOR LOW AND MODERATE INCOME FAMILIES

Section 201 of the bill would add a new section 236 to the National Housing Act to establish an assistance program for rental and cooperative housing for low and moderate income families. The assistance would be provided in the form of periodic payments to the mortgagee on behalf of the mortgagor which would serve to reduce interest costs on a market rate project mortgage.

The interest reduction payments could reduce payments on the project mortgage from amounts that would be required on a market rate mortgage to amounts that would be required on a mortgage bearing an interest rate of 1 percent.

This new section 236 is derived from the below-market interest rate program authorized under section 221(d)(3) of the National Housing Act in 1961. That program was designed to provide rental and cooperative housing for families whose incomes were too high for public housing but too low for standard housing available on the market.

The 221(d)(3) program has been successful in providing much-needed rental and cooperative housing for these families. However, it has the limitation of depending on direct Federal lending from the special assistance funds of FNMA to support its 3-percent mortgages. The limited availability of these funds will not permit the production of the large volume of rental and cooperative housing for low and moderate income families needed to meet the goals contemplated by this bill. It is therefore necessary to obtain financing from the private mortgage market. This would be done under the new section 236.

The new 236 program is intended to replace the 221(d)(3) BMIR program as well as the program of direct 3-percent loans for the elderly and the handicapped authorized under section 202 of the Housing Act of 1959, but only after the new program is fully operational and adequately funded. It will be better able to serve low and moderate income tenants because the rents attainable under it will be lower than those possible under the other two programs. This is possible because the mortgagor could make monthly payments for principal and interest under the mortgage as if it bore an interest rate of 1 percent. The difference between this amount and the monthly payment due under the mortgage, which will bear a market interest rate, for principal, interest, and mortgage insurance premium will be paid to the mortgagee on behalf of the mortgagor by the Federal Government.

These interest reduction payments would reduce rentals to a basic rental charge, determined for each unit on the basis of operating the project with such payments, and a tenant or cooperative member would either pay the basic charge or such greater amount as represented 20 percent of his income, but not in excess of the fair market rental charge which would be determined on the basis of operating the project without any interest reduction payments. The interest reduction payments to the mortgagee would not vary, in order to avoid administrative

complexities, but rental charges collected by the mortgagor in excess of the basic charges would be returned to the Secretary for deposit in a revolving fund for the purpose of making other interest reduction payments.

Thus, like the homeownership program proposed in section 101 of the bill, this program will be able to provide decent housing for many low and moderate income families who cannot afford it now. This will be possible because of the identical 1 percent floors for subsidy purposes. Also, under the 236 program the effective amount of the subsidy would vary, because of the provision for recapture of the rental charges in excess of the basic rental charge collected by the mortgagor, in accordance with the income of the tenant or cooperative member, and therefore, his need for assistance. Incomes would be reexamined at least every 2 years and the rent charged the tenant adjusted accordingly.

The Secretary would establish maximum family income limits for eligibility for admission to this new housing, just as he does now for the 221(d) (3) and 202 programs.

The following table shows the range of rental reductions for various income levels, according to the mortgage amount attributable to the unit.

ESTIMATED REDUCTION IN MONTHLY RENTAL UNDER SEC. 236, BY MORTGAGE AMOUNT AND TENANT'S ANNUAL INCOME BASED ON 6¾-PERCENT 40-YEAR MORTGAGE WITH ½-PERCENT MORTGAGE INSURANCE PREMIUM

Annual income	20 percent of monthly income[1]	Mortgage amount					
		$8,000	$10,000	$12,000	$14,000	$15,000	$17,000
$3,000	$50	$31.45	(2)	(2)	(2)	(2)	(2)
$3,400	57	31.45	$39.31	(2)	(2)	(2)	(2)
$4,000	67	31.45	39.31	(2)	(2)	(2)	(2)
$4,600	77	25.27	39.31	$47.18	(2)	(2)	(2)
$5,200	87	15.27	36.15	47.18	$55.04	$58.97	$66.83
$5,800	97	5.27	26.15	47.18	55.04	58.97	66.83
$6,400	107	----------	16.15	40.79	55.04	58.97	66.83
$7,000	117	----------	6.15	30.79	55.04	58.97	66.83
7,600	127	----------	----------	20.79	45.40	53.33	66.83
Basic rental charge based on a 1-percent interest rate		70.82	83.84	100.61	117.36	121.36	127.59
Fair market rental charge		102.27	123.15	147.79	172.40	180.33	194.42

[1] Rounded.
[2] Cost to tenant would exceed 30 percent of his monthly income in order to meet basic rental on this mortgage amount.

Source: Department of Housing and Urban Development.

In view of the added administrative details that can be expected with respect to these mortgages, the Secretary would be authorized to reimburse the mortgagee for its expenses in handling the mortgage.

Interest reduction payments would be authorized not only for projects financed with mortgages insured under section 236, but also similar projects financed under a State or local program providing assistance through loans, loan insurance, or tax abatements and which, prior to completion of construction or rehabilitation, are approved by the Secretary for this purpose. The committee expects the Secretary to maintain adequate control over these projects through appropriate provisions in the contract with the mortgagor providing for the interest reduction payments. It also expects the Secretary to approve only those projects which provide rentals reasonably equivalent to what could be achieved by a project with a mortgage insured under section 236.

To qualify for mortgage insurance under this section, a mortgagor would have to be a nonprofit organization, a cooperative, or a limited-dividend entity of the types permitted under section 221(d)(3) of the National Housing Act. In addition, the mortgage limitations with respect to maximum mortgage amount and the amount of the mortgage attributable to each dwelling unit would be the same as those for mortgages insured under section 221(d)(3).

Mortgages insured under this section would bear such interest, not in excess of 6 percent, as the Secretary finds necessary to meet the mortgage market. However, pursuant to the provisions of section 315, which would amend Public Law 90–301, recently passed by the Congress, the Secretary would be authorized up to October 1, 1969, to set the interest rate in excess of 6 percent if he deemed it necessary to meet the mortgage market.

Mortgage insurance would also be available under this section to enable a cooperative or private nonprofit organization to purchase a project from a limited-dividend mortgagor. In such a case, the Secretary would be authorized to insure the purchaser's mortgage in an amount not exceeding the appraised value of the property at the time of purchase, thereby making it possible for the cooperative or nonprofit organization to borrow, under a single mortgage, the funds needed to obtain ownership, while enabling the limited-dividend seller to realize a net amount out of the sales proceeds in many cases sufficient to recover its cash, land, and other investment and to retire the outstanding mortgage. This will be especially useful in connection with the goal of attracting large amounts of private-equity money into the provision of low and moderate income housing through the establishment of national partnerships (proposed by title VIII of the bill). It will give the limited-dividend mortgagor a ready means of disposing of his project, thereby making his investment more liquid and attractive.

A project insured under this section could include such nondwelling facilities as the Secretary deemed adequate and appropriate to serve the occupants of the project and the surrounding neighborhood, as long as the project was predominantly residential and any nondwelling facilities contributed to the economic feasibility of the project, with due consideration being given to the possible effect of the project's commercial facilites on other business enterprises in the community. The regulations of the Secretary would require that any commercial facilities in the project be rented generally at not less than the prevailing rental in the community for similar facilities. The extra receipts, thus derived from these facilities, would be used to reduce the cost of operating the project and thereby reduce the basic rental charges needed to be established for the project.

Where a project was designed primarily for occupancy by elderly or handicapped families (as defined in section 202 of the Housing Act of 1959), it could include related facilities for use of such families, such as dining, work, recreation, and health facilities.

Individuals of low and moderate income under 62 years of age would be eligible for occupancy in a project, as long as no more than 10 percent of the dwelling units in the project was so occupied. Since the term "elderly or handicapped family" means an individual of 62 or over or a handicapped individual of any age, an unrelated individual living with such an elderly or handicapped individual as a companion

or for the purpose of assisting such a person in his daily activities would not count against the 10-percent limitation. In addition, up to 20 percent of the units in any one project could be occupied by tenants receiving rent-supplement benefits under section 101 of the Housing and Urban Development Act of 1965. The rent supplement for each tenant would be that amount necessary to bring the amount the tenant is able to pay up to the basic rental charge for his unit.

This section would also change the percentage of income a rent supplement tenant must pay toward his rent from 25 percent to 20 percent. As a result, the low or moderate income tenant under the new section 236 program and the low-income tenant under the rent supplement program would be treated comparably in the proportion of their income required to be contributed toward housing expense.

With the approval of the Secretary, a mortgagor could sell the individual dwelling units to low or moderate income purchasers, including elderly or handicapped, and these purchasers could qualify for individual assistance payments under the provisions of the new section 235.

Because of the lower rentals achievable under this program, authority is provided to transfer to, or refinance under, this section, below-market interest rate projects under setcion 221(d)(3) of the National Housing Act which have not been finally endorsed for insurance and projects under section 202 of the Housing Act of 1959 which are still in the development stage or have just been completed.

Mortgages insured under section 236 would be the obligation of the new Special Risk Insurance Fund (proposed by section 104 of the bill).

To provide authorization to assist in the construction or rehabilitation of about an estimated 450,000 units of housing for lower income families over a 3-year period, this section would provide authority to enter into contracts for assistance payments, subject to approval in appropriation acts, in the amount of $75 million annually prior to July 1, 1969. This amount may be increased by $100 million on July 1, 1969, and by $125 million on July 1, 1970.

As under the new section 235, assistance under this new section 236 would be available in both urban and rural areas. However, insofar as the administration of the section in rural areas is concerned, the Secretary would be directed to transfer a reasonable proportion of the contract authority to the Secretary of Agriculture the implementation thereof as agreed upon by the two Secretaries. Appropriations would also be authorized, pursuant to section 903 of the bill, to pay for Agriculture's administrative expenses in connection with any such assignment.

This section would amend section 207 of the Appalachian Regional Development Act of 1965 to permit the loans and grants available under that section to nonprofit sponsors of 221(d)(3) housing in the Appalachian region to be also available to such sponsors under the new section 236. It would also amend section 305(i) of the National Housing Act to permit the same type of construction financing, available under the FNMA special assistance program for 221(d)(3) mortgages, to be available for 236 mortgages.

The success of the new section 236 rental and cooperative housing program will depend to a great extent on local communities taxing projects which will be financed under this program realistically, taking

into consideration the intent of these projects to provide housing for low and moderate income families. It has recently come to the committee's attention that similar type projects financed under the FHA 221(d)(3) program have been subjected to high tax assessments inconsistent with the purpose of the program. The committee commends those States which now provide tax abatement and hopes that States and municipalities will exercise restraint in assessing these types of properties and to provide, where possible, for tax abatement and other tax reduction methods which recognize the important purpose of these programs. It therefore urges that the States and their localities take action along these lines so that the effort to provide adequate housing for the Nation's low and moderate income families will be a true joint effort on the part of both the Federal Government and the States and their local governments.

RENT SUPPLEMENT PROGRAM

Section 202 of the bill would make available an additional $40 million in contract authority for rent supplement payments in fiscal year 1970, and an additional $100 million in contract authority in fiscal year 1971.

The final increment of $45 million of contract authority authorization under the rent supplement program provided by the Housing and Urban Development Act of 1965 will become available July 1, 1968, bringing to $150 million the cumulative authorization under that act. Through the current fiscal year, $42 million of contract authority has been approved in appropriation acts, leaving $108 million still available. The budget for fiscal year 1969 requests approval of $65 million of contract authority. If this amount is approved, $43 million of the original contract authority authorization will remain available at the end of fiscal year 1969.

The rent supplement program is rapidly acquiring momentum and proving its worth. By the end of fiscal year 1969, 384 rent supplement projects with nearly 27,000 supplemented units located throughout the country are expected to be ready for occupancy. The remaining 18,000 units provided under approved contract authority through fiscal year 1968 are expected to be ready for occupancy in fiscal year 1970. The budget request of $65 million in approved contract authority for fiscal year 1969 would provide about 55,000 units of supplemented housing. The total of $83 million anticipated for fiscal year 1970 would provide about 71,500 units. The requested $100 million for the following year would provide about 82,500 additional units.

The committee feels that the rent supplement program has demonstrated that it is a strong and flexible instrument emphasizing private ownership, private financing, and private management. It has also been strongly endorsed by private industry. The need for a vastly expanded supply of housing for low-income families is well recognized and the administrative procedures for the rent supplement program are now efficiently organized for prompt action to help meet this need.

Section 202 would also authorize rent supplement payments on behalf of qualified tenants to eligible housing owners of projects financed under a State or local program which provided assistance through loans, loan insurance, or tax abatements, if the project is approved by

the Secretary for rent supplement benefits prior to the completion of construction or rehabilitation. Under present law, rent supplement payments are restricted to projects financed with mortgages insured under sections 221(d)(3) or 231 of the National Housing Act or projects financed by a direct loan under section 202 of the Housing Act of 1959.

This provision would, in effect, provide for a joint Federal-State-local sharing of the costs of subsidizing rentals for low-income persons. Since it applies only to new construction or rehabilitation, it would be consistent with the purpose of the rent supplement legislation to provide additional housing units for persons of low income in privately sponsored projects.

The committee expects that adequate control over these projects will be maintained by the Secretary through appropriate provisions in the rent supplement contracts to insure conformity with the requirements of the rent supplement program. It also expects the Secretary to exercise his discretion in approving these projects for assistance to assure that the Federal assistance is not made available in connection with projects which receive State or local assistance of little significance in helping to reduce the cost of providing the housing.

Part B—Low-Rent Public Housing

Increased low-rent public housing authorization

Section 203 of the bill would increase the authorization for annual contributions contracts for the low-rent public housing program by $100 million on the date of enactment of the Housing and Urban Development Act of 1968, to be added to the $47 million coming available on July 1, 1968, and by $150 million on July 1 in each of the years 1969 and 1970.

This increased contract authorization would provide approximately 375,000 low-rent dwelling units over the 3-year period for the public housing program, the basic federally assisted program for supplying housing to the lowest income members of our society. Under the program, there are now in operation about 680,000 units with another 55,000 units under construction or soon to be put under construction.

Major emphasis under this new authorization will be placed on production under the turnkey method, with about half of the units expected to be so provided. Emphasis will also be placed on the leasing of units in existing housing as well as the outright acquisition (with or without rehabilitation) of existing housing. This new authorization will also provide funds to continue the extensive modernization program now being carried out for older existing public housing.

The turnkey method, with its emphasis on the involvement of private enterprise in the production of public housing, has substantially expanded the productive capability of the public housing program. Under this method private developers who own, or have an option to buy land or improved property can contract to build housing on the land, or rehabilitate the property, for eventual sale to a local housing agency. This is the reverse of the standard method under which the housing agency first acquires the property by purchase or eminent

domain, has the construction plans and specifications prepared by its own architects, and then has the construction done by general contractors.

Under turnkey, a low-rent project can be constructed in less than half the time traditionally required for public housing. It frees the builder from complicated and cumbersome procedures and stimulates his initiative to develop imaginative and well-designed buildings at a lower cost. The Department of HUD reports that the response of developers and local housing agencies to the turnkey concept has been enthusiastic, as evidenced by the fact that the number of turnkey units in some stage of development increased from 13,000 on January 31, 1967, to over 44,000 by January 31, 1968, with additional units in the application stage. The turnkey concept has already been extended to enable private industry not only to build public housing developments, but also to manage them.

The increased use of existing housing, by way of leasing private accommodations and the acquisition, with or without rehabilitation, of existing housing, has also enhanced the public housing program's ability to provide housing for low-income families in a timely manner. The new leasing program has already produced, as of February 1, 1968, over 30,000 dwelling units under annual contributions contract, about 10,000 of which were occupied or available for occupancy by low-income families. On the same date there were 7,700 acquired units under management.

Applications for public housing, in terms of number of units, are being submitted by local housing agencies at an increasing rate, demonstrating that the demand for public housing units will be great and continuing during the next decade. HUD reports that the number of units in the status of application pending has grown from about 35,000 in February 1966, to 68,000 in February 1967, to 125,000 in February 1968. In addition, there are about 96,000 units in the status of program reservation, and the remaining authorization from the 1965 act will cover only about two-thirds of these. Applications for additional units are being submitted at an annual rate of about 140,000 units.

This authorization will further permit the Department of HUD to accelerate its efforts to provide homeownership opportunities for public housing tenants. Homeownership for the lowest income families on Indian reservations has been achieved through a combination of "sweat equity" in construction, self-maintenance, and public housing assistance. The "turnkey" method has made it possible to secure the participation of private developers in Indian self-help developments and also the production of such housing by a "community action" type organization involving apprenticeship and home maintenance training with Office of Economic Opportunity assistance.

HUD has also undertaken a major effort to shift this type of activity to other than Indian areas where self-help in construction is possible, such as rural areas and smaller communities. Most recently, HUD has developed a further modification of this program for those situations where a significant amount of self-help in construction is not possible. This program would provide homeownership to those low-income families who can build up an equity through self-maintenance of their homes and through payments which they can afford as their incomes increase and which can be applied to reduce the debt on their homes.

Additionally, HUD has been promoting homeownership under the leased housing program by devising methods whereby private owners will be encouraged to provide lease-purchase rights to low-income families. Specific proposals of this type are now under consideration together with related proposals involving cooperative ownership.

This section also would modify the existing authorization for public housing loans. Under existing law, the Department of Housing and Urban Development is authorized to borrow $1,500 million from the Treasury to be used for low-rent housing loans. This ceiling has had the effect of limiting the amount of Federal loan commitments as well as the amount of loans actually disbursed, which does not reflect the fact that loan commitments do not normally result in the disbursement of funds but are used by the local housing agency as a backup to borrow private funds. This section would revise the existing law so as to make it clear that the $1,500 million ceiling would apply only to Federal loans which the Secretary estimates will actually be disbursed, and not to Federal commitments which are not expected to result in actual outlays. This would provide the same flexibility as is presently authorized with respect to urban renewal loan commitments under section 102(e) of the Housing Act of 1949.

It has come to the committee's attention that too often low-rent public housing assisted by the Federal Government is stigmatized in the eyes of its residents and the community by the unfortunate manner in which these housing projects are named. Although the term "project" is a technical term used in the law and by persons working in the field of housing to describe the physical plant of a housing undertaking, the committee believes that it is not necessary to use this term in naming such housing. It would seem quite appropriate to name these housing undertakings in the same way nonsubsidized apartments are named and, thereby, avoid the possible stigmatization that may occur when the word "project" is used. It therefore urges the Department of HUD to encourage all local housing authorities to follow a more imaginative practice in naming the housing financed with assistance under the low-rent public housing program.

UPGRADING MANAGEMENT AND SERVICES IN PUBLIC HOUSING PROJECTS

Section 204 of the bill would authorize the Secretary of HUD to enter into grant contracts with local housing authorities to assist them, where necessary, in upgrading their management activities and providing tenant services to families living in low-rent housing projects, and would authorize appropriations in an amount not to exceed $20 million in fiscal year 1969, and an additional $40 million in fiscal year 1970, for this purpose.

Local housing authorities desiring financial assistance under this authorization would be required to submit applications to the Secretary, and these would be reviewed and acted upon on a case basis. The Secretary would have to be satisfied that the activities and services are needed and are beyond those which the local authority has provided or can provide with project income.

Many local housing authorities have been providing some management-related services to their tenants. However, the extent to which services can be provided is limited by the relatively small amounts of money available from project revenue after other project expenditures

have been satisfied, and these underfunded programs have not met the real needs of tenants in improving their economic status and adjusting to urban life. This is especially true in the larger cities where the need for tenant services is the greatest and most urgent. The need for additional services because of the constantly increasing number and concentration of lower income, multiproblem families in public housing has been brought to the committee's attention on several occasions during recent hearings on housing and urban development legislation.

This authorization would provide funds to permit local housing authorities to play a basic role in seeing that coordinated services are provided tenants so as to help them achieve increased self-sufficiency and improvement of their economic and social situation, and facilitate the efficient and effective use of Federal, State, and local community program resources. The funds would be used to fill gaps where needed services are not available to public housing residents. They would also serve as seed money to stimulate the development by the community of new programs which would broaden services to public housing tenants.

Among the services to be provided would be counseling and referral services to advise low-income families and individuals as to the resources for job training and placement, education, welfare, health, and other services in the community, and to refer them to agencies with the appropriate expertise were necessary. Many families are also in need of counseling on such matters as housekeeping and diet practice, money management, and child care.

The local housing authority would work with community agencies and organizations so as to bring their activities and services to public housing neighborhoods. The local authority in turn would provide services which are not being provided by public and private agencies in the community and which are directly related to meeting tenant needs and providing a wholesome living environment, such as organization of youth group activities, senior citizen clubs, and credit unions. These services would not duplicate activities and programs in the community provided under Office of Economic Opportunity or Department of Health, Education, and Welfare sponsorship or other Federal departments and agencies.

This authorization would also permit local housing authorities to participate in activities directly concerned with improved tenant-management relationships. These would include encouraging and assisting tenants with the establishment of resident organizations, involving residents in those aspects of management policies and practices which affect their daily lives, and planning with the tenants a program of community activities and services. Because of the committee's belief that tenant participation is essential to the proper provision of the services and the operation of the programs that would be funded under the amendment, it has provided that preference shall be given to programs providing for the maximum feasible participation of the tenants in the development and operation of the services and programs.

PURCHASE OF UNITS BY TENANTS

Section 205 of the bill would amend section 15(9) of the U.S. Housing Act of 1937 to broaden existing law to permit local housing authorities to sell any low-rent housing units to tenants if such units are suitable for individual ownership. Existing law permits tenants to purchase only detached or semidetached units. This would permit the

sale to a public housing tenant of any property owned by a local housing authority so long as the property sold has sufficient individual identity (including cooperative or condominium units) to make it suitable for sale to, and occupancy by, the public housing tenant.

PUBLIC HOUSING IN INDIAN AREAS

Section 206 of the bill would amend the U.S. Housing Act of 1937 so as to permit public housing assistance for Indian families without regard to the present limitation which does not permit public housing programs to include a site which is on a farm or is an appurtenance to a farm. The existing limitation has presented difficulties in connection with conventional low-rent housing and mutual-help housing programs for Indians. Problems have developed concerning the location of a particular housing site, the use to which adjacent land is put, and the means of livelihood of the Indian participants in these programs. In some cases, the present limitation has the effect of permitting the use of certain sites, and prohibiting others, in connection with the same project on an Indian reservation. This amendment is intended to apply to all Indian reservations, whether they be State or National.

LIMITATION ON HIGH-RISE STRUCTURES IN LOW-RENT PUBLIC HOUSING PROJECTS

Section 207 of the bill would provide that the Secretary of HUD shall not approve high-rise, elevator-type, public housing projects under the U.S. Housing Act of 1937 for occupancy by families with children unless he makes a determination that there is no practical alternative to such projects. It is the view of the committee that high-rise, elevator structures provide an undesirable environment for family living and should be developed for families with children only in those situations where site availability or cost considerations preclude the provision of housing which is more suitable for family life. This requirement would not apply to housing predominantly for the elderly, since high-rise structures have proved to be suitable for their needs.

PROHIBITION AGAINST CERTAIN LIMITATIONS ON TYPES OR CATEGORIES OF LOW-RENT HOUSING IN PRIVATE ACCOMMODATIONS

Section 208 of the bill would amend section 23 of the U.S. Housing Act of 1937, concerning the leasing of low-rent housing units in private accommodations, to provide that the regulations of the Secretary of HUD for this program shall impose no limitation on the types or categories of structures of dwelling units which is not specifically provided for in that Act. Specifically this would permit section 23 housing in any area regardless of vacancy factors.

LIMITATION ON NUMBER OF UNITS OF LOW-RENT HOUSING IN PRIVATE ACCOMMODATIONS

Section 209 of the bill would amend the provision in section 23 of the U.S. Housing Act of 1937 concerning the number of low-rent housing units which may be leased per structure in private accommodations. The Act presently provides that not more than 10 percent of the

units may be leased in any single structure, except to the extent that the public housing agency, because of the limited number of units in the structure or for any other reason, determines that the limit should not be imposed. This section would change the limit on the number of units which can be leased in a single structure to not more than the lesser of (1) 10 units or 10 percent of the units in the structure, whichever is greater, or (2) 50 percent of the units in the structure. The public housing agency would continue to have authority to determine that the limit should not be imposed with respect to a particular structure. This new formula provides for a more realistic limit on the number of units which may be leased in a single structure. In the case of a 10-unit structure, for example, it would provide for a limit of five units, as compared with the present formula which would provide a limit of one unit.

SALE TO TENANTS OF LOW-RENT HOUSING IN PRIVATE ACCOMMODATIONS

Section 210 of the bill would amend section 23 of the U.S. Housing Act of 1937, concerning the leasing of low-rent housing units in private accommodations, so as to provide HUD with an additional tool in its efforts to provide homeownership oportunities for public housing tenants. Under this section, contracts between HUD and the public housing agency could authorize the local agency to purchase a structure which contains units which the agency has leased under the section 23 program for the purpose of reselling the structure to the tenant or tenants of the structure or to a group of tenants occupying units aggregating at least 80 percent of the structure's total value. Any such resale would be subject to such terms and conditions as may be necessary to enable the tenants involved to make the purchase without undue financial hardship. These could include provision for deferment of the required downpayment and elimination of or adjustment in the required interest payments during a temporary period.

ADDITIONAL SUBSIDY FOR LARGE FAMILIES AND FAMILIES OF UNUSUALLY LOW INCOME

Section 211 of the bill would amend section 10(a) of the U.S. Housing Act of 1937 to authorize payment of a special subsidy of up to $120 per year for public housing dwelling units occupied by large families or families of unusually low income. This is similar to the present special subsidy for the elderly and certain displacees. "Large families" would be defined as those which include four or more minors, and "families of unusually low income" would be defined as those, with incomes below the income level established by the public housing agency (with the approval of HUD), who could not be housed without the additional subsidy.

The section would also modify the conditions which govern payment of the special subsidy for the elderly and displaced families and the new subsidy for large families and families of unusually low income. Subsidy payments would continue to be subject to the basic condition that the subsidy can be paid only where necessary to operate the project on a solvent basis. The additional condition that the subsidy be necessary to lease a unit to the family at a rent it can afford would be eliminated, as would the requirement that the payment for displacees not exceed the difference between the average rent paid by displacees and the rent charged other families.

This amendment would enable local housing authorities to respond to the housing needs of low-income families with many children and those with unusually low incomes. Increasing attention has been focused on the problems of families, especially those with many children, who are denied admission to public housing because their incomes are too low. Although there are no minimum limits in the program, overall rental income for a project must generally be sufficient to cover all the operating expenses. As a result, there is a limit on the number of unusually low-income families and large families who can be admitted to public housing. The rents that can be paid by such families are frequently less than the amount required to cover their proportionate share of operating expenses. Without some additional assistance, there would have to be other low-income families in the project whose income would permit them to pay rents sufficiently high to offset the deficiency created by these large families and those of unusually low income. Many local housing authorities are finding it increasingly difficult to maintain the financial solvency of their public housing programs with the existing subsidies. These changes would better enable them to provide the housing needed.

It has come to the attention of the committee that in a number of large housing projects security guards are provided as part of the project management. However, these efforts to provide for the safety of the project and its occupants are often hampered by a lack of financial resources on the part of the local authority. The additional subsidy available under this section and, to the extent appropriate, the additional subsidy under section 204 of the bill, should help local authorities in providing these services.

Title III—Federal Housing Administration Insurance Operations

MORTGAGE INSURANCE PREMIUMS FOR SERVICEMEN AND THEIR WIDOWS

Section 301 of the bill would amend section 222 of the National Housing Act to permit payment of FHA mortgage insurance premiums by the Secretary of Defense or the Secretary of Transportation (for the Coast Guard) in cases where a serviceman assumes a home mortgage previously insured under any other provision of the National Housing Act. Under present law, a serviceman may receive this benefit only when he purchases a home and places a new mortgage on it under the provisions of section 222.

Under this section, a serviceman would be able to receive the benefits of section 222 and, in many cases, also be able to take advantage of lower closing costs, since the closing costs charged when assuming an existing mortgage are usually lower than those charged when the purchaser must originate a new mortgage. Also, the existing mortgage may carry an interest rate more favorable than that obtainable by taking out a new loan.

In addition, this section would also direct the Secretary of Defense or the Secretary of Transportation to continue making the premium payments for a widow of a serviceman who dies in the service for two years after his death or until she sells the house, whichever occurs sooner. The Secretaries would be directed to notify promptly the widow of the increased cost she would have to bear upon the termination of the payment of the insurance premium at the end of the 2-year period.

MODIFICATIONS IN TERMS OF INSURED MORTGAGES COVERING MULTIFAMILY PROJECTS

Section 302 of the bill would add a new section 239 to the National Housing Act to require that any request for the extension of time for curing a default on an FHA-insured multifamily mortgage, or a modification of the terms of such a mortgage, be approved by the Secretary of HUD in accordance with regulations prescribed by him. During the period of modification or extension any rents or other funds (such as security deposits) derived from the mortgaged property in excess of that needed to meet operating expenses would be required to be held in trust by the mortgagor and distributed only with the consent of the Secretary.

This section is designed to discourage distribution of rental income of multifamily projects to stockholders of a mortgagor corporation or individual owners where such income should be used to meet mortgage payments. Where it is thought that a mortgage property probably will not generate enough income to meet mortgage payments, there is a temptation for the owners to divert funds received from rentals to their own use and to allow the mortgage to go into default in order to recoup their investment in the project and even to show a profit in the investment.

Civil actions have generally proven inadequate as a means of discouraging such actions or of recovering all diverted funds. Section 239 would provide criminal penalties for such willful diversion of funds by a mortgagor or a stockholder, director, officer, or agent of the mortgagor during the period in which the time for curing a default has been extended or the terms of the mortgage modified. The maximum penalty would be a fine of not more than $5,000 or imprisonment of not more than 3 years, or both.

The Secretary in his regulations could provide for granting consent to an extension or modification of a mortgage in any case or class of cases without regard to the requirements of the regulations where he determined such action would not jeopardize the interests of the United States. However, in the case of such exempt mortgages, the knowing and willful use, or authorization of such use, of any part of the rents or other funds derived from the mortgaged property for any purpose other than to meet actual and necessary expenses (including amortization) while the mortgage is in default would carry a similar penalty.

CONDOMINIUMS

Section 303 of the bill would amend section 234(c) of the National Housing Act to provide the same downpayment requirements and maximum mortgage limitations for the FHA condominium program as are currently in effect under the regular section 203 home mortgage insurance program. This would be done by increasing the maximum mortgage limits from 75 to 80 percent of the appraised value of the property in excess of $20,000. It would also amend section 234(f) to permit blanket mortgages to cover four or more family units instead of the present limitation to five or more units.

In addition, section 303 would further amend section 234(c) to authorize FHA insurance for the individual units in a condominium

project with two to 11 dwelling units without requiring that the project be first covered by an FHA-insured project mortgage. Condominium ownership has proven to be a useful and flexible tool in providing homeownership opportunities and in the upgrading of deteriorated housing in older neighborhoods. This amendment would facilitate its usefulness by authorizing insurance for condominium units in small projects without the expense of an unnecessary project mortgage and dual title transfer.

INSURANCE OF LOANS FOR PURCHASE OF FEE SIMPLE TITLE FROM LESSORS

Section 304 of the bill would add a new section 240 to the National Housing Act to authorize FHA to insure loans made by private lending institutions to finance the purchase by homeowners of fee simple title to the property on which their homes are located.

In Hawaii and in other States some homeowners have only long-term leaseholds in the property on which their homes are located. Many of these homeowners would like to purchase the fee simple title but find it difficult to finance the purchase. Unless they are able to pay cash, it is usually necessary for them to refinance their existing home mortgages or place second mortgages on their homes, either of which entails additional expenses and frequently higher interest rates than on first mortgages.

FHA insurance of loans for the purchase of fee simple title, as authorized by this section, would provide a source of credit to homeowners at reasonable costs and obviate the need for refinancing of an existing mortgage. Loans insured under this section could not exceed the lesser of $10,000 or an amount which, when added to any outstanding indebtedness related to the property, would create a total outstanding indebtedness not exceeding the amount of an insured first mortgage under section 203(b) which would be used to purchase the home if the entire property were being purchased. The term of the loan could not exceed 20 years, and the loan would bear interest at a rate not to exceed that which the Secretary of HUD finds necessary to meet market conditions; but in no event in excess of 6 percent. However, pursuant to the provisions of section 315, which would amend Public Law 90–301, recently passed by the Congress, the Secretary would be authorized up to October 1, 1969, to set the interest rate in excess of 6 percent if he deemed it necessary in order to meet the mortgage market.

This section would also amend section 5(c) of the Home Owners Loan Act of 1933 to permit Federal savings and loan associations to invest in these loans.

EXTENSION OF 221(D)(2) SALES HOUSING PROGRAM FOR TWO-, THREE-, AND FOUR-FAMILY RESIDENCES TO ALL LOW AND MODERATE INCOME FAMILIES

Section 305 of the bill would authorize mortgage insurance under section 221(d)(2) of the National Housing Act for the purchase by low or moderate income families of two-, three-, and four-family residences where one of the units is to be occupied by the mortgagor. Under present law, only families holding certificates of eligibility as

displaced persons are eligible for mortgage insurance under section 221(d)(2) for such residences.

A large number of two- to four-family properties are available in older neighborhoods of many cities which could appropriately be rehabilitated or offered for sale to low and moderate income families under the favorable terms of section 221(d)(2). This amendment would augment the supply of housing available to such families. In addition, ownership of these properties by occupant families would provide a more stabilizing influence in arresting the decline of older neighborhoods than would absentee ownership.

REMOVAL OF DIVIDEND RESTRICTION FOR NONDWELLING FACILITIES IN SECTION 221 PROJECTS

Section 306 of the bill would remove the requirement that mortgagors of section 221 market interest rate multifamily projects located in urban renewal areas waive the right to receive dividends on their equity investment in the portion of the project devoted to community and shopping facilities where these facilities are designed to serve the needs of others than residents of the project. The dividend restriction would continue to be applicable with respect to the investment in such facilities for section 221 below-market interest rate projects in urban renewal areas.

Under present law, projects insured under section 221 of the National Housing Act may include commercial and community facilities adequate to serve the occupants of the project. If a 221 project is located in an urban renewal area, nondwelling facilities are permitted to the extent considered desirable and consistent with the urban renewal plan. This permits commercial and community facilities adequate in size to serve the neighborhood, rather than just the occupant of the project, and is consistent with the nondwelling facilities permissible for projects insured under section 220 of the National Housing Act. If these larger facilities are developed as a part of the project, the mortgagor is required, under present law, to waive its right to receive dividends on the equity invested in the community and shopping facilities.

The amendment would encourage the construction of market-interest rate projects, the type of projects eligible for rent supplement benefits, with the type of nonresidential facilities that are needed to serve the urban renewal area in which the project is located. The nondwelling facilities could include stores, doctors' offices and clinics, recreational, community, and other facilities. By including such nondwelling facilities as part of the housing project, employment opportunities for project and neighborhood residents would be increased. Also, modern community and shopping facilities could be provided that are not available in the neighborhood.

Deleting the restriction on receipt of dividends would not affect the authority of the FHA to establish maximum rents and charges for commercial and community space in such projects. Also, the requirement that the FHA give due consideration to the possible effect of the project on other business enterprises in the community would remain in effect where the nondwelling facilities proposed were in excess of that considered adequate to serve the occupants of the project.

SUPPLEMENTAL LOAN PROGRAM FOR PROJECTS FINANCED WITH FHA INSURED MORTGAGES

Section 307 of the bill would add a new section 241 to the National Housing Act to permit the Secretary of HUD to insure supplemental loans to finance improvements, repairs, and additions to multifamily rental projects (including nursing homes and housing for the elderly) and group practice facilities financed with an FHA-insured mortgage. This financing would supplement existing insured mortgages and would be available without refinancing the existing mortgage. Similar authority is now contained in sections 213(j) with respect to cooperative housing and 220(h) with respect to properties in urban renewal areas.

The FHA-insured supplemental loans would be limited to 90 percent of the Secretary's estimate of the value of the required improvements, repairs, and additions, and to an amount which, when added to the outstanding balance of the existing mortgage, did not exceed the basic mortgage limitation of the program under which the project was financed. The loans would bear interest at such rate as the Secretary of HUD found necessary to meet market conditions, but not in excess of 6 percent. However, pursuant to the provisions of section 315, which would amend Public Law 90–301, recently passed by the Congress, the Secretary would be authorized, up to October 1, 1969, to set the interest rate in excess of 6 percent if he deemed it necessary to meet the mortgage market. Construction financed by these loans would be governed by the labor standards provisions of section 212 of the National Housing Act applicable, at the time the commitment to insure the supplemental loan is issued, to the program under which the mortgage covering the project or facility is insured.

In connection with improvements to either a nursing home or a group practice facility, the supplemental loan proceeds would also be available for financing equipment to be used in operating the home or facility. These are the only two programs in which equipment items are permitted to be financed with the proceeds of the basic mortgage under which the project is originally developed. (Sec. 314 of this bill contains an amendment adding this authority for nursing homes.)

The insurance on these loans would be the obligation of the general insurance fund, except for loans for cooperative projects insured under section 213 and loans for the new rental and cooperative projects insured under section 236 (proposed by sec. 201 of the bill). In the former case, the insurance would be the obligation of the cooperative management housing insurance fund, and, in the latter case, the obligation of the new special risk insurance fund (proposed by sec. 104 of the bill).

The committee believes that the need for providing a flexible program of supplemental financing, available to all FHA-financed projects, has amply been demonstrated. Experience gained through the operation of the nursing homes program has indicated that nursing homes, which were initially restricted in size and facilities by limitations imposed either by State authorities or by FHA at the time the projects were built, need to expand their space and facilities to meet changing conditions. Present FHA provisions offer no assistance for financing the expansion of a nursing home that has proven a need for larger facilities, unless this can be done as a part of a plan for the

complete rehabilitation of the project and a refinancing of the existing mortgage. In many instances, a complete rehabilitation of the nursing home is not needed, while the refinancing of the existing mortgage could result in a higher interest rate for the total indebtedness. It is anticipated that similar problems will occur with the mortgage insurance program for group practice facilities as soon as more operating experience is gained under the program.

There is also a need for providing, through a supplemental loan, long-term financing for the major new items of equipment needed for placing in operation an addition to either a nursing home or a group practice facility. Nursing home and medical equipment is highly expensive. If a provision for its financing is not included in the long-term supplemental loan, short-term financing would have to be used with large monthly payments.

HOME IMPROVEMENT LOANS—INCREASE IN MAXIMUM MATURITY, FINANCE CHARGE, AND LOAN AMOUNT

Section 308 of the bill would increase the present maximum dollar limitation on property improvement loans made by financial institutions insured under title I of the National Housing Act for single family and other properties from $3,500 to $5,000 and the maximum maturity limitation from 5 years and 32 days to 7 years and 32 days. The maximum finance charge on loans up to $2,500 would be changed from a discount of $5 to $5.50 per $100 of original face amount, and for that portion of a loan above $2,500 the discount permitted would be changed from $4 to $4.50 per $100.

The $3,500 limit has been in effect since 1956 and the increase in maximum loan amount to $5,000 is needed to meet the increasing cost of home repair and modernization work. Extending the payment period to 7 years and 32 days will enable needed repairs to be made by homeowners who could not afford the monthly payments required by the shorter term. The increase in discount rate is required to meet money market conditions under which lenders no longer find title I lending as attractive as making similar loans at higher rates on an uninsured basis. From 1956 to 1966 the annual number of FHA title I loans decreased 52 percent, although during this same period the number of owner-occupied single family homes increased by 25 percent.

The new discount rates of $5.50 and $4.50 would be well under rates now charged for non-FHA insured property improvement loans. Lending institutions which have ceased making title I loans in favor of conventional loans are charging an average of $6 to $7 discount.

FHA helps the homeowner avoid incompetent and unreliable contractors by compiling and furnishing insured lenders a list of contractors who have conducted their activities improperly. When a homeowner complains that work is not done right, FHA has been successful in practically all cases in getting the contractor to correct it where the complaint is shown to be justified. In addition to FHA's administrative procedure for effectively dealing with the unreliable contractor, any alleged criminal irregularity on the part of a contractor or salesman is investigated by the FBI and appropriate action is taken by the Department of Justice.

EXPERIMENTAL HOUSING PROGRAM

Section 309 of the bill would amend section 233 of the National Housing Act, the FHA experimental housing program, to make the program available for use in connection with all FHA programs. At present, section 233 is available only with respect to properties and projects meeting the requirements of one of the other sections of title II of the National Housing Act. The experimental housing program would now be authorized to be used in connection with land development projects or group practice facilities where the mortgages are insured under titles X and XI, respectively, which were enacted subsequent to section 233.

The FHA experimental housing program was added by the Housing Act of 1961. This program has enabled the FHA to underwrite and encourage a number of useful and highly successful experiments in new housing design and construction, in the rehabilitation of older housing, and in the use of different types of building materials. The pace of development of ideas for new and different housing has increased very rapidly during the past few months and the FHA is becoming increasingly involved in experimental projects. The construction and associated industries have begun to realize the extent of the housing problem faced by most of our major cities and are now seeking new techniques for resolving this problem.

TERM OF FHA-INSURED MORTGAGES FOR LAND DEVELOPMENT

Section 310 of the bill would amend section 1002(d)(1) of the National Housing Act to extend the maximum maturity for land development project mortgages from 7 to 10 years. This will provide an extra period of amortization for those occasional land development projects where a longer mortgage maturity may be needed, while still keeping the term of the mortgage within a reasonable period in relation to the type of land development normally financed under this program.

REHABILITATED MULTIFAMILY PROJECTS IN URBAN RENEWAL AREAS

Section 311 of the bill would amend sections 220 and 221 of the National Housing Act to permit FHA mortgage insurance under these sections to be made available for the purchase of multifamily structures which have been rehabilitated by a local public agency under the authority which would be provided by the proposed amendment (under sec. 404 of the bill) to section 110(c)(8) of the Housing Act of 1949. Mortgages to finance the purchase of the properties could also be insured under the new section 236 of the National Housing Act (proposed by sec. 201 of the bill).

Under the present law, FHA mortgage insurance for multifamily structures is available only in connection with properties which are newly constructed or substantially rehabilitated subsequent to the issuance of a commitment for mortgage insurance by FHA. This limitation, which would deny FHA mortgage insurance to multifamily properties rehabilitated under the proposed amendment to section 110(c)(8) of the Housing Act of 1949, would substantially impede the marketability of these rehabilitated properties.

There is no need to apply this standard FHA statutory limitation against insuring mortgages on existing multifamily properties, since the rehabilitation will be carried out by the local public agency pursuant to standards similar to FHA-financed rehabilitation and under requirements established by HUD in connection with the urban renewal program. Rehabilitation work performed by private contractors will also be subject to the same labor requirements as apply to FHA-financed work.

MISCELLANEOUS HOUSING INSURANCE

Section 312 of the bill would make five technical amendments to section 223 of the National Housing Act to permit refinancing of a FHA mortgage insured under any section or title of the National Housing Act as well as insurance of an FHA mortgage assigned to the Secretary or executed in connection with a sale of an acquired property under any section or title of the Act. Under present law this authority is limited to specific sections enumerated in section 223, and must be amended each time a new section is added to the National Housing Act. It would also permit payment in cash of an insurance claim, instead of just debentures, in connection with a mortgage assigned to the Secretary or a mortgage executed in connection with the sale of an acquired property. This latter amendment would make this provision consistent with the rest of the FHA program.

Section 312 would also amend section 223(d) to permit an insured project loan covering a 2-year operating loss to bear interest at the current rate in effect at the time of its insurance, instead of at the time of the original mortgage loan. It would also establish the debenture interest rate applicable to the insurance settlement on such loan at the rate in effect at the time the commitment to insure the loan was issued or the date the loan was endorsed for insurance, whichever rate is the highest.

Under the present provision, the loan covering the 2-year operating loss is limited to the interest rate of the original mortgage and the debentures issued in an insurance settlement on such a loan bear interest at the same rate as those issued in connection with the original loan.

With the recent increase in interest rates, lenders have become extremely reluctant to grant a loan to cover a 2-year operating loss on a project where this additional loan is limited to the interest rate of the original loan. This amendment is necessary in order to make mortgage money available for this type of loan. These loans serve the essential function of providing a project that has experienced losses during the first 2 years of operation an opportunity to readjust its books and pay off the loss over the remaining term of the mortgage. This loan can mean the difference between success or failure for a project that has achieved a sustaining level of occupancy, but has accumulated an operating loss during its early years.

SUPPLEMENTARY LOANS FOR COOPERATIVE HOUSING PURCHASED FROM THE FEDERAL GOVERNMENT

Section 313 of the bill would amend section 213(j) of the National Housing Act to authorize mortgage insurance for supplementary loans to housing cooperatives which purchased wartime housing, covered by

an uninsured mortgage for part of the purchase price, from the Federal Government. Where the mortgage on the property is dated more than 20 years prior to the date of the commitment to insure and the loan is for major rehabilitation or modernization, as determined by the Secretary, the loan may have a maturity date not more than 10 years in excess of the remaining term on the uninsured mortgage.

These supplementary loans could be made for the same purposes as supplementary loans made to cooperatives with mortgages insured under section 213—improvements or repairs to the property; community facilities necessary to serve the occupants; and financing for resales of memberships. The same terms would apply as to regular 213 cooperatives, except for the amendment with respect to the maturity of the loan.

The uninsured mortgages on these properties are now held by FNMA under its management and liquidating operation and carry interest rates far below those currently available. These cooperatives are unable to obtain conventional loans for the purposes for which a supplementary loan could be made without refinancing the mortgages so as to give the lender a first lien. FHA insurance of supplementary loans would provide financing for these desirable purposes without necessitating the refinancing of the entire mortgage at an unfavorable interest rate.

EQUIPMENT IN NURSING HOMES

Section 314 of the bill would amend section 232 of the National Housing Act to permit the cost of major items of equipment needed to operate a nursing home to be included in the insured mortgage. Similar authority is presently provided for group practice facilities under title XI of the National Housing Act.

Major items of equipment such as hospital-type beds and other necessary hospital-type equipment and expensive X-ray and therapy equipment are essential items to the operation of a nursing home. Under present provisions, these items are financed independently of FHA-insured mortgages under separate, short-term loans which of-Under present provisions, these items are financed independently of the equipment to operate the project, a mortgagor encountering any difficulty in meeting loan payments is inclined to be more concerned with making payments on the short-term loans covering equipment items than in meeting mortgage payments, because the equipment will be removed if the loans are not maintained in a current status. This operates to the disadvantage of the mortgagee and the FHA, because it may result in a default under the mortgage which might not have occurred if the mortgagor had been able to finance the various equipment items under the blanket FHA insured mortgage with the advantage of the longer term and lower financing charges incident to the FHA mortgage financing.

Financing the equipment items under the blanket FHA insured mortgage would be desirable in another way. Under present provisions, the FHA has been faced with the problem of taking over nursing homes in which the equipment is not covered by the FHA-insured mortgage and is subject to chattel mortgages or conditional sales contracts. This has necessitated the FHA either paying off the existing loan on equip-

ment located in the project at the time it takes over the project or buying new equipment to replace that taken over by the finance company.

The committee wishes to emphasize that this provision would apply only to costly, major items of equipment which are necessary to the continued operation of a nursing home, and not to such items as normal housekeeping equipment and items of furniture.

FLEXIBLE INTEREST RATES FOR CERTAIN FHA INSURANCE PROGRAMS

Section 315 of the bill would amend Public Law 90–301 to permit the Secretary of Housing and Urban Development to establish a maximum interest rate, for five new mortgage insurance programs authorized by this bill, at the level which he believes necessary to meet market conditions. Public Law 90–301 provided authority to the Secretary, until October 1, 1969, to establish the interest rate ceilings on certain FHA insurance programs at such rates as he believes necessary to meet market conditions, without regard to the statutory ceilings applicable to those programs. This amendment, which would apply to the new programs of insurance for rental and cooperative housing for low and moderate income families (proposed by sec. 201), for loans to acquire fee simple title by lessors (proposed under sec. 305), for supplemental loans for multifamily projects (proposed by sec. 308), and for nonprofit hospitals (proposed by title XII), as well as to the authorization for mortgage insurance for nonprofit organizations under the new section 235(j)(1) (proposed in sec. 101), would be consistent with the intent of the Congress in passing Public Law 90–301.

SALE OF REHABILITATION UNITS IN MULTIFAMILY STRUCTURES

Section 316 of the bill would expand the category of rehabilitated units eligible under the section 221(h) program for sale to low-income families with mortgages bearing a below-market interest rate (presently 3 percent). Under present law, the blanket mortgage to the nonprofit sponsor must cover five or more single-family dwellings of detached, semidetached, or row construction. This section would reduce the minimum number of units to four, permit two-family dwellings where one unit is to be occupied by the owner, and would also make eligible, under a condominium ownership plan, projects involving four or more one-family units in a multifamily structure.

Under the section 221(h) program only deteriorating or substandard housing is eligible for rehabilitation and sale to low-income families. In many neighborhoods, however, such housing consists predominantly of multifamily and two-family rather than single-family structures. The committee believes that these amendments would enable the purposes of the section 221(h) program to be carried out more effectively.

HOUSING IN OUTLYING AREAS

Section 317 of the bill would amend section 203(i) of the National Housing Act to increase from $12,500 to $15,000 the maximum mortgage amount that can be insured by FHA on single-family homes in outlying, semirural and rural areas. This provision authorizes the

Secretary of HUD to insure mortgages on such homes without regard to all of the requirements that normally apply to FHA's regular home mortgage insurance program, where he finds it is not practicable to obtain conformity with these requirements because of the location of the property in such areas. Instead, the Secretary is authorized to insure the property if it is an acceptable risk giving consideration to the need of providing adequate housing for families of low and moderate income in these areas. The increase in the maxmum mortgage amount recognzes the rising costs of construction, building materials, and land development that have occurred in the past several years and establishes the same maximum as would be authorized as a basic maximum for the new homeownership program proposed by section 101 of the bill.

Title IV—Urban Renewal

NEIGHBORHOOD DEVELOPMENT PROGRAM

Section 401 of the bill would add a new part B to title I of the Housing Act of 1949, which would authorize the Secretary of HUD to provide financial assistance to local public agencies to assist them in carrying out neighborhood development programs. A neighborhood development program would consist of urban renewal project undertakings and activities in one or more urban renewal areas that are planned and carried out on the basis of annual increments. The requirements governing these undertakings and activities would be similar to those governing the provision of Federal financial assistance for regular urban renewal projects, both residential and nonresidental, now provided for under title I.

Under the existing urban renewal program, a community determines the boundaries of an area needing urban renewal. Then it applies for survey and planning funds to prepare a detailed plan for renewal of the area. Upon approval of the plan, Federal loans and grants become available to carry out the renewal activities set forth in the plan. This system has worked effectively in areas for which it is possible to prepare an urban renewal plan with assurance that the activties taking place over the several years following preparation of the plan can be expected to fit into that plan without serious change.

In recent years, many cities have found that it is not always best to deal with blight in terms of complete treatment of small areas one at a time. These communities have large residential areas with relatively evenly distributed deterioration and blight. The present urban renewal program, with its requirement for detailed and complete planning, is not structured to deal with these problems in the most effective manner.

A key element of the new neighborhood development program is its focus on the staging and timing of activities in order to achieve systematic accomplishments. The program will permit annual renewal activities that will result in net achievements in and of themselves. Under this system, there need be no real lag between the decision that an area is in serious physical condition and the beginning of actual activities to correct these conditions. It will permit more rapid and

effective rehabilitation and development activities to take place on the basis of a broad plan specifying major land uses, density of development, and the public facilities proposed for the area.

Plans governing the physical activities would be flexible, and changed circumstances or needs would not require the scrapping of prematurely prepared detailed plans. Under this approach, rehabilitation activities can proceed along with public improvements, and detailed planning and scheduling of subsequent activities would proceed simultaneously with actual development in the area.

A local public agency would be able to carry out flexible programs of immediate benefit to the neighborhood. For example, property owners could begin to carry out the task of rehabilitation, the local government could begin to construct needed public facilities, private developers could begin to create new housing or places of employment, and the local public agency could undertake all appropriate activities otherwise eligible under title I, before every detail of a final overall plan has been completed.

Under the neighborhood development program, the contract for loan or capital grant for the annual increment of a program could cover activities in several contiguous or noncontiguous urban renewal areas, and the funding would be based on the amount of loan and grant funds needed to carry out the activities planned during a 12-month period in each of the urban renewal areas contained in the community's program. Thus, it has the advantage of utilizing urban renewal funds to meet current activities, in contrast to the procedure under the present program of reserving funds several years in advance of needs. There would be no obligation to fund beyond the immediate 12-month period for which a contract has been entered into, but, if funds were available and a community's program was acceptable to the Secretary, the community could anticipate receiving financial assistance based on its needs for subsequent annual increments of its program. It would also be possible to reserve the funds estimated to be needed for the succeeding year when the contract for the present year is entered into.

Although there would be a computation of project cost at the end of each 12-month period, financial settlement at the end of the period may not be possible because of the inability in that period to dispose of all the land acquired during the year or to complete or place under contract all public improvements planned for that year. In such cases, any loans outstanding would be continued until all moneys due to be received under the contract for that year are received, or, in the alternative, the carried over financial items may be merged with the financing for a subsequent increment. If the proceeds from land sold by the public agency and land retained by it for use in accordance with the urban renewal plan exceed the total project cost for any annual period, the local agency would be required to pay to the Secretary two-thirds of the excess, or three-fourths in the case of a program on that grant basis.

Local grants-in-aid would generally be calculated as they are under the present urban renewal program. However, the determination of their eligibility would be based on whether their construction started no more than 3 years (under sec. 110(d)) prior to the authorization by the Secretary of the first contract for financial assistance under a

community's program which includes the urban renewal area which is benefited by the public improvement or facility for which credit is claimed; or 7 years (under sec. 112(b) relating to colleges and hospitals) prior to the date of authorization by the Secretary of the first contract for financial assistance under the program which includes the urban renewal area which is benefited by the expenditures for which credit is claimed. A noncash grant-in-aid would only be eligible for inclusion in computing the gross project cost of a program for any 12-month period, if its construction has commenced and only to the extent of the amount actually expended or obligated by contract.

In addition, there would be a provision to prevent pooling of excess noncash grant-in-aid credits from a neighborhood development program with other urban renewal projects being carried out by a community. However, any excess grant-in-aid credit from regular urban renewal projects could be pooled for the benefit of a neighborhood development program. Also noncash credits which are in excess of what is needed for any annual increment would be available to be applied toward the local share of the cost of subsequent annual increments.

As for presently authorized urban renewal projects, a workable program for community improvement would have to be in existence (at the date of authorization of a contract for financial assistance for each annual increment); the present relocation requirements would apply to each annual increment; the local approval and public hearing requirements would have to be met; and FHA mortgage insurance under section 220 of the National Housing Act would be available for housing constructed or rehabilitated in the area covered by a neighborhood development program. Since planning and project execution activities in most cases would be taking place simultaneously especially in the early years of a program, the Secretary would be authorized to permit the urban renewal plan to cover one or more of the urban renewal areas embraced by a program and to allow the plan to meet such requirements as to scope and content as he deems appropriate, taking into consideration the degree of detail needed in the plan to carry out properly and expeditiously the activities and undertakings proposed in any annual increment.

This new program does not imply the elimination of the present urban renewal approach. It will remain available to localities wishing to use it. The present approach will still be essential for those projects where significant changes in land use require assurance that the project is planned and undertaken as a single enterprise.

The new program will provide communities with a means of more closely tying in their renewal activities with their capital improvement programing and the annual allocation of their budgeted resources to meet their most pressing needs. It will enable them to deal better with the large areas that must be handled as a totality so that needed public improvements can be installed early throughout the area while planning proceeds.

Families displaced from one portion of the area can be relocated into good housing provided for them in another part of the area. Many of these areas will be neighborhoods covered under the model cities program and the added flexibility provided by this approach should enable closer coordination of that program with the urban renewal program.

INCREASED AUTHORIZATION

Section 402 of the bill would increase the amount of grant funds available for urban renewal and other title I activities by $1.4 billion on July 1, 1969. An increase of $350 million in the amount of funds available for urban renewal projects in model cities areas is also provided. This latter increase would be available on the date of enactment of this bill.

The title I authorization covers urban renewal projects, urban renewal demonstration programs, code enforcement programs, demolition grants, relocation grants, rehabilitation grants, community renewal programs, the neighborhood development program proposed in section 401, and the interim assistance program proposed in section 412.

This authorization, which would enable the present pattern of advance funding to continue, is essential to meet the existing and prospective demands for title I assistance throughout the Nation. The backlog of urban renewal applications on hand at the end of the last fiscal year included grant requests in excess of $1.75 billion. The number of applications eligible for positive action was somewhat reduced by the imposition of more stringent requirements to meet program objectives by giving priority consideration to those projects which advance national goals responsive to the urgent needs of our cities. These goals are—

1. The conservation and expansion of the housing supply for low and moderate income families.
2. The development of new employment opportunities.
3. The renewal of areas with critical and urgent needs.

Nevertheless, it is now estimated that the backlog at the end of the current fiscal year will be approximately $1.7 billion. Furthermore, based on the number of new communities to adopt workable programs for community improvement and their general practice of applying for urban renewal assistance, it is estimated that approximately 60 such communities will apply annually for title I grants.

This increased authorization, along with the increase in funds available for renewal activities in model cities areas, will enable greater efforts to be made to stop the insidious blight which is overwhelming the older neighborhoods of our cities. It will also permit increased efforts to preserve and increase the supply of low and moderate income housing, in accordance with the 10-year goal to eradicate substandard housing in the Nation.

REHABILITATION GRANTS

Section 403 of the bill would amend section 115 of the Housing Act of 1949 to increase the rehabilitation grant that can be made to low-income homeowners from $1,500 to $3,000.

The proposed increase in the maximum grant from $1,500 to $3,000 will materially serve to diminish the hardships for low-income homeowners, many of whom are elderly, who would be unable otherwise to undertake or complete rehabilitation of their property. Moreover, it will further contribute to a higher level of rehabilitation accomplishment and with it greater neighborhood stability in urban renewal and concentrated code enforcement projects areas. This assistance has been

very useful in helping these homeowners retain their homes, when displacment would have been the only other alternative. However, the cost of rehabilitation has been such that $1,500 has proven to be too low in many areas. The $3,000 limit should better enable them to meet current costs for the types of rehabilitation usually required.

The substitution of the term "real property," for the term "structure" now contained in section 115, will also permit the use of grant funds for required rehabilitation relating to aspects of the property other than the dwelling structure itself, such as unsafe walks or driveways, or fences and other structures related to the dwelling, but excluding landscaping not essential to the continued occupancy of the structure.

This section would also expand the scope of the section 115 rehabilitation grant program so as to permit its use with respect to property which is in an area, other than an urban renewal or concentrated code enforcement area, which the local governing body certifies to the Secretary of HUD contains a substantial number of structures in need of rehabilitation. The present provision limits such grants to urban renewal and code enforcement areas.

Grants under the expanded authority could be made, through the utilization of local public agencies where feasible, to otherwise qualified owner-occupants to cover the cost of repairs and improvements necessary to make their dwellings conform to public standards for decent, safe, and sanitary housing, as required by applicable codes.

It would further expand the scope of section 115 of the Housing Act of 1949 to provide for such grants to owners and occupants of property which is uninsurable because of physical hazards. Such property would have to be located in areas which will support long-term values or in which public or private programs give reasonable promise of creating a stable environment. The determination of uninsurability because of physical hazard would be made after an inspection of the premises pursuant to an approved statewide property insurance plan, as provided in the urban property protection and reinsurance program proposed by title X of the bill. The grants would be made to rehabilitate the property to the extent necessary, as determined by the Secretary, to meet reasonable underwriting standards imposed by the plan. This would provide substantial assistance to those low-income homeowners who are unable to finance the repairs which may be required in order to entitle them to property insurance under the program proposed by title X.

The committee expects the Secretary to exercise caution in making these grants to assure that no fraud takes place in connection with them. It also expects him to establish procedures requiring, where appropriate, adequate competition among contractors performing the rehabilitation assisted with these grants, as well as procedures encouraging the use of small contractors.

REHABILITATION IN URBAN RENEWAL AREAS

Section 404 of the bill would amend section 110(c)(8) of the Housing Act of 1949 to remove the present limitations on the acquisition and rehabilitation of residential properties by a local urban renewal agency. Under present law, a local public agency carrying out an urban renewal project may only acquire and rehabilitate, for demon-

stration purposes, structures containing no more than 100 units or 5 percent of the total residential units in the urban renewal area, whichever is less.

This authority, which was added by the Housing Act of 1961, has permitted local agencies to acquire a limited number of properties and rehabilitate the property to show other property owners how their properties can be brought up to the standards of the urban renewal plan for the area. Once the property has served this purpose, it is sold by the local agency at its fair market value for private use.

To the extent that this authority has been used for demonstration purposes, it has been successful and useful. However, it has pointed up a further need in those urban renewal projects where substantial numbers of residential properties are capable of being rehabilitated, but the owners are either unwilling or unable to rehabilitate the properties themselves. This most often occurs with multifamily structures. In these cases, the local public agency has no choice but to acquire the properties and then attempt to find someone willing to purchase them and undertake the rehabilitation. Frequently such purchasers cannot be found and the property must be demolished.

Too often, salvable properties are removed at a greater total cost to the Federal Government and the local public agency than would occur if the local agency were able to rehabilitate the property and then sell it for its market value. The proposed new authority should help to prevent this from occurring, and thereby preserve many otherwise useful residential properties. Permitting the local public agency to undertake rehabilitation on a larger scale should also bring about more efficient rehabilitation by allowing a large number of units to be worked on together under one contract, thereby hopefully reducing the cost of rehabilitation.

To permit purchasers of multifamily property, rehabilitated pursuant to this authority, to obtain FHA mortgage financing, section 311 of the bill would amend sections 220 and 221 of the National Housing Act to make such properties eligible as explained under section 311. Mortgages insured under the new section 236 of the National Housing Act (proposed by sec. 201 of the bill) could also be placed on these properties. These amendments should significantly assist in the provision of more adequate housing for families of low and moderate income.

DISPOSITION OF PROPERTY FOR LOW AND MODERATE INCOME HOUSING

Section 405 of the bill would amend section 107(a) of the Housing Act of 1949 to make it clear that urban renewal land may be disposed of for low as well as moderate income housing purposes and to permit this disposition to be done by lease as well as by sale. It would also permit land to be sold to a mortgagor qualified under the new FHA 236 program (proposed to be added by sec. 201 of the bill) and to nonprofit organizations under the new FHA 235(j)(1) program (proposed to be added by sec. 101 of the bill), as well as those organizations under FHA's 221(h) program, which will rehabilitate the property and sell it to low or moderate income families or individuals.

These amendments will make more useful the present provisions of this section by giving greater scope to its authorization to sell urban renewal project land at a lower price to encourage the provision of

low and moderate income housing. This authority has been an important instrument in encouraging the provision of such housing in urban renewal areas. It will be even more important now when used in conjunction with the new neighborhood development program.

A further amendment would permit the sale or lease of land to any approved purchaser or lessee. This last amendment will permit a private homebuilder to acquire the land for subsequent sale to a low or moderate income home purchaser who will be able to obtain the benefit of the lower price thus made possible.

CAPITAL GRANTS FOR LOW AND MODERATE INCOME HOUSING IN OPEN LAND PROJECTS

Section 406 of the bill would amend section 103(a)(1) of the Housing Act of 1949 to permit grants to be made for urban renewal open land projects (which now only qualify for loans) in an amount not to exceed two-thirds of the difference between the proceeds from any land disposed of at its value for low or moderate income housing (pursuant to the provisions of sec. 107 of the act) and the proceeds which would have been realized if the land had been disposed of at its fair value without regard to the special provisions of section 107.

This provision supplements other provisions of this bill designed to achieve a substantial increase in the volume of low and moderate income housing. Obtaining sites for such housing developments is becoming increasingly difficult in many of our urban areas. This amendment will encourage local public agencies to make land within urban renewal open land projects available for the development of low and moderate income housing. At the present time, without Federal grant assistance, there is no incentive to the local public agency to sell the land at the lower price frequently needed if the land is to be used for low and moderate income housing purposes.

This amendment would place a local public agency, selling land within an open land project for low and moderate income housing purposes, on the same footing as a local public agency selling land for such purposes within other types of urban renewal projects. In these other projects, the difference in land receipts increases the project's cost by that much. This increase is shared two-thirds by the Federal Government and one-third by the local agency. Since no grants are presently permitted for open land projects, there is no way this difference can be shared. By authorizing a Federal grant for two-thirds of this difference, parity is established in this important area.

URBAN RENEWAL LOAN CONTRACTS

Section 407 of the bill would amend section 102(c) of the Housing Act of 1949 to permit a local public agency, with consent of the Secretary of HUD, to borrow funds to finance project undertakings on the private market at an interest rate in excess of the Federal lending rate set out in its loan contract with the Government. The full difference between the interest cost on the private market and the interest cost at which the local public agency could have borrowed from the Federal Government under its loan contract would be made up by a supplemental grant from the Government. A local public agency following this procedure, and thereby amending its loan contract for this purpose, would not be governed by the provisions of section 110(g) of such Act which require all loan contracts (originally executed prior to

September 2, 1964) on their first amendment after that date to have incorporated in them a provision for periodic revision of the Federal lending rate.

This amendment is necessary to assure that local public agencies (whose loan contracts were executed prior to September 2, 1964, and have not been amended to provide for periodic revision of the interest rate) continue to secure their loan funds from private sources. Recent experience in the sale of preliminary loan notes indicates that interest rates on the private market may exceed the interest rates specified in the loan contracts of these local agencies, most of which were entered into prior to the present high interest rates. If that occurs, they would be precluded from borrowing on the private market and would have to seek their loan funds from the Federal Government. This eventuality would have an undesirable budgetary impact in terms of unanticipated loan disbursements and would place a severe strain on the limited urban renewal borrowing authorization for loans and advances. It is anticipated that the need for this authority would gradually disappear as these older contracts are completed or are amended for some other purpose, at which time section 110(g) would necessitate inclusion of a provision for the periodic revision of the interest rate (now every 6 months).

PROJECT COMPLETION PRIOR TO DISPOSITION OF CERTAIN PROPERTY

Section 408 of the bill would amend section 106 of the Housing Act of 1949 to add a new subsection (i) which would permit the Secretary of HUD to allow an urban renewal project to be closed out where: (1) Not more than 5 percent of the total acquired land remains to be disposed; (2) the local public agency does not expect to be able, due to circumstances beyond its control, to dispose of that land in the near future; (3) all other project activities are completed; and (4) the local public agency has agreed to dispose of or retain such land in the future for uses in accordance with the urban renewal plan. It would also amend section 110(f) of that act to include in the amount of land proceeds, for the purpose of computing net project cost, an amount equal to the value of this land not yet disposed.

In a number of instances, HUD reports that its experience has been that final closeouts of urban renewal projects have encountered substantial delays because of the problem of disposing of residual land (slivers), usually occasioned by minor but necessary plan adjustments, such as the realinement of a highway or other minor boundary adjustment. These delays have resulted not only in increased project costs, and therefore increased Federal grants (because of continuing carrying charges and related local administrative costs), but additional administrative costs to the Federal Government as well. In order to stop these costs from running, this amendment would permit the value of the land to be included as part of land proceeds in the computation of net project cost and the final Federal grant to be made accordingly.

REHABILITATION LOANS

Section 409 of the bill would amend section 312 of the Housing Act of 1964 to authorize appropriations in such amount as may be necessary for each fiscal year to be used by the Secretary of HUD as a revolving fund for carrying out the rehabilitation loan program, and to extend

the termination date of the program to June 30, 1973. Also, loans for the rehabilitation of property in urban renewal and code enforcement areas could be made for the purpose of generally improving the condition of the property in addition to bringing the property into conformity with applicable code requirements or to assist in carrying out the objectives of the uban renewal plan.

The program would also be expanded in two ways. First, loans would be permitted to be made outside urban renewal and code enforcement areas with respect to owner-occupied, residential property in need of substantial rehabilitation, where the property is located in an area which the governing body of the locality has determined, and so certifies to the Secretary, contains a substantial number of structures in need of rehabilitation. Secondly, loans could be made to owners or tenants of property determined to be uninsurable because of physical hazards disclosed by an inspection carried out pursuant to an approved statewide property insurance plan as provided in the urban property protection and reinsurance program proposed by title X of the bill. A loan in the latter case would be for the purpose of making repairs needed, as determined by the Secretary, to bring the property into conformity with reasonable underwriting standards, but the property would have to be located in an area which the Secretary determines is sufficiently stable and contains sufficient public facilities and amenities to support long-term values, or is one in which public or private actions are being carried out, or are proposed to be carried out, of such scope and quality as to give reasonable promise that a stable environment will be created.

This expanded authorization is comparable to the expansion of the rehabilitation grant program proposed by section 403 of the bill and will, therefore, provide a full range of rehabilitation aids to these property owners. However, the committee expects the Secretary to adopt requirements to assure that these loan funds are not used to carry out extravagant landscaping.

DEMOLITION GRANTS

Section 410 of the bill would expand the demolition grant program, authorized under section 116 of the Housing Act of 1949, to permit grants for the demolition of structures that constitute harborages or potential harborages for rats. Such grants are presently available to assist in demolishing only those structures which are structurally unsound or unfit for human habitation.

The present demolition program has been of great assistance to many cities in clearing out structures which are unsound and unfit for human habitation. These structures are often abandoned and if left standing can help to blight a whole block or neighborhood. Another serious problem involves structures, usually abandoned, which harbor rats or have a definite potential for rat harborage. Under present law, nonresidential structures in this category, which are not structurally unsound, cannot be demolished with assistance under this program.

While this amendment would permit the demolition with Federal assistance of a structure of this nature, whether residential or nonresidential, the committee feels that it should not be used on major structures such as large factories. This demolition could be carried out,

as under the present program, on a planned-neighborhood basis or as part of a systematic rodent control program being undertaken in the neighborhood, and might well involve structures such as sheds and garages. It would be subject, however, to all the other present requirements of section 116. The committee expects the Secretary of HUD, in administering this new authority, to only approve the demolition of nonresidential buildings, which are considered to be rat harborages or potential rat harborages, when these nonresidential buildings are in close proximity to residential areas which would be affected by any rats that may be harbored in the buildings. The committee believes that this expansion of the demolition grant program will materially assist communities in carrying out their comprehensive rodent control programs.

AIR-RIGHTS SITES IN URBAN RENEWAL AREAS

Section 411 of the bill would amend section 110 of the Housing Act of 1949 to authorize the carrying out of air-rights urban renewal projects, and the construction of necessary foundations and platforms, for the development of educational facilities. Under present law, these activities may be assisted only when they are for the provision of low or moderate income housing, or, if the site is unsuitable for such housing, for industrial development. As in the case of industrial development, an air-rights project, as well as the construction of foundations and platforms for any urban renewal project at project expense, could only be used for educational facilities if it was unsuitable for low or moderate income housing purposes. The use of such sites for educational facilities could alleviate the difficulties being experienced by many communities in securing suitable locations for new schools.

INTERIM ASSISTANCE FOR BLIGHTED AREAS

Section 412 of the bill would add a new section 118 to title I of the Housing Act of 1949, under which the Secretary of Housing and Urban Development would be authorized to make grants to a city, other municipality, or county to assist it in taking interim steps to alleviate harmful conditions in any slum or blighted area of the community which is planned for substantial clearance, rehabilitation, or federally assisted code enforcement in the near future, but which needs some immediate public action until permanent action can be taken.

The committee has been concerned for some time about the plight of residents and property owners in slum or blighted areas which are planned for clearance, rehabilitation, or code enforcement. It is essential that there be a quicker response to the needs of the residents of these areas. The period between the announcement of planned community action and the time when work begins can be crucial to the viability of these areas. It is during this interim period that the supply of credit in the neighborhood ends, when there are no community improvements, and when further deterioration sets in. This section would permit the community to implement some of the needed public improvements to provide a suitable living environment.

This program would enable communities to undertake such immediate short-term actions as: (1) Repairing serious deficiencies in the streets, sidewalks, parks, playgrounds, publicly owned utilities, and

public buildings located in the area to the extent needed to maintain or restore the basic livability of the area until permanent action can be taken (no new construction or major capital improvements would be permitted); (2) the improvement of private properties to the extent needed to eliminate the most immediate dangers to the public health and safety; (3) the demolition of structures deemed unsound or unfit for human habitation and which are a public nuisance and a serious health and safety hazard; (4) establishment of temporary public playgrounds on vacant land such as those lots which have been cleared of unsound structures; and (5) improvement of such public services in the area as garbage and trash collection and street cleaning.

The committee has also included a provision requiring the Secretary to encourage, wherever feasible, the employment of otherwise unemployed or underemployed residents of an assisted area in carrying out the activities and undertakings assisted under the section. In the types of areas in which this program will be undertaken, there exist not only problems of severe physical deterioration, but also numerous human and social problems, including inadequate employment of those living there. The committee believes that these residents should be given an opportunity to be employed in carrying out the federally assisted activities in the area and desires that the Secretary encourage this wherever feasible.

Grants could not exceed two-thirds of the cost of planning and carrying out an interim assistance program, except that three-fourths grants could be made to any community with a population of 50,000 or less according to the most recent decennial census. A community would have to have a workable program for community improvement to qualify for assistance and relocation assistance and payments would be available to anyone displaced as the result of an interim assistance program. The contracts which the Secretary could enter into to make grants under this new authority could not exceed $40 million in any fiscal year.

LOW AND MODERATE INCOME HOUSING IN RESIDENTIAL URBAN RENEWAL AREAS

Section 413 of the bill would repeal the present requirement of section 105(f) of the Housing Act of 1949 that each urban renewal project which is to be redeveloped for predominantly residential uses must include a substantial number (interpreted as 20 percent or more of the units) of standard housing units of low and moderate cost. It would substitute a requirement that a majority (over 50 percent) of the housing units provided in all urban renewal areas in a community to be redeveloped for such residential uses and which receive Federal recognition after the date of enactment shall be standard housing units for low and moderate income families or individuals. Also 20 percent of the units would have to be for low-income families or individuals, but such amount would be countable toward the required majority of units for low and moderate income housing. This would permit the Secretary of HUD to apply the more stringent percentage on an aggregate basis in each community, rather than on a project-by-project basis.

The aggregate basis shall consist of those units in predominately residential urban renewal projects whose plans have been approved

by the Secretary with respect to projects which receive Federal recognition after enactment of the bill.

This amendment reflects the committee's concern that the present emphasis in urban renewal on the provision of housing for persons of low or moderate income be continued and reinforced, in view of the urgent need for housing at these levels. While the committee has noted with approval the priority which the Department of Housing and Urban Development has recently established for projects providing such housing, a stronger legislative mandate appears desirable. The existing statutory requirement that a substantial number of standard housing units at this level be included in each urban renewal project redeveloped for predominantly residential uses, with "substantial number" administratively defined to mean at least 20 percent of the units, inadequately reflects both current program requirements and the national need for such housing. The substitute provision is more clearly addressed to the urgency of this need. In order to avoid imposing the new requirement retroactively to some projects previously approved for planning, it would apply only to urban renewal areas receiving Federal recognition after its enactment into law.

In order to make absolutely clear the intent of the committee, it is believed desirable to point out the nature of the colloquy between Messrs. Widnall and Reuss of the committee at the time this provision was adopted. Mr. Widnall, in agreeing to an amendment by Mr. Reuss, stated that the language (as it now appears) was satisfactory to him provided that its effect was not limited to long-range planning and goals. Mr. Reuss indicated that this was absolutely not his intention and that the language, as amended by his proposal and ultimately adopted by the committee, was worded so that this new requirement would apply to a community's approved urban renewal project and that compliance with the requirement was to be measured against production in projects actually started and not against contemplated production in projects in planning.

WORKABLE PROGRAM REQUIREMENT IN CASE OF INDIAN TRIBES

Section 414 of the bill would amend section 101(c) of the Housing Act of 1949 to defer until January 1, 1969, the minimum standards housing code requirements of the workable program as far as Indian tribes are concerned. This provision, added by the Housing Act of 1964, required that, commencing on September 2, 1967, no workable program be certified or recertified unless the locality had in effect, at least 6 months prior to such certification or recertification, a minimum standards housing code deemed adequate by the Secretary of HUD and the Secretary was satisfied that the locality was carrying out an effective program of enforcement to achieve compliance with such code. As applied to Indian tribes, many of which have had little or no experience with housing codes, this requirement has caused considerable difficulty. Because of it, many Indian tribes have been unable to qualify for low-rent public housing assistance, a basic need if they are to be able to provide for the housing needs of those families who will be displaced as a result of effective code enforcement. The committee believes that granting this extension until January 1, 1969, will give most Indian tribes sufficient time to prepare a code and to start enforcing it without unduly penalizing them.

Title V—Urban Planning and Facilities

COMPREHENSIVE PLANNING

Section 501 of the bill would rewrite section 701 of the Housing Act of 1954, which authorizes assistance to States, localities, and other areas for comprehensive development planning. In addition to technical and perfecting amendments, the changes include:

Special Planning Assistance for District Planning Outside Metropolitan Areas

A new category of assistance would be authorized for "district" planning in rural and other areas outside of metropolitan areas. The 701 program up to the present time has been oriented toward the planning and development problems of urban areas. Although much of the assisted planning has covered small town and semirural areas, and, for example, problems related to agricultural land uses have been considered where appropriate, grant assistance has not been available to assist planning for the coordinated development of resources and services in areas consisting of small towns and agricultural and other nonurban uses.

The new district planning would help preserve and better utilize the great human and economic investment in these areas. All too often, these areas have stagnated when a little foresight and planning would permit establishment of viable and expanding communities. To reflect this change, the section 701 statement of purpose would be broadened to include reference to the planning problems resulting from outmigration from, and lack of coordinated development of, resources and services in rural areas. In addition, the present regional planning authority in section 701 would be revised to authorize separate planning programs for "regions," defined as including at least one metropolitan area, plus all or part of at least one other general-purpose unit of government; and for "districts," defined as including all or part of at least one county and of at least one other general-purpose unit of government, but not including any part of a metropolitan area.

Up to two-thirds grants (or three-fourths grants in specified areas having special economic handicaps) would continue to be authorized both directly to regional planning bodies and to State planning bodies for assistance to regional planning.

With respect to planning for the newly defined districts, up to two-thirds (or three-fourths for areas with economic handicaps) grants would be authorized to be made, through State planning agencies, for assistance to district planning agencies. The district agency would have to be authorized, by or under State or local statutes or interstate compact, to carry on comprehensive planning for the district.

The assisted planning could be for the entire district or for towns or other appropriate areas within the district. Such planning could be carried out by the district planning agency itself or by the State planning agency acting for the district agency. Grants to States would be specifically authorized for the purpose of providing technical and other assistance for both interstate and intrastate planning agencies (including district and regional agencies).

The Secretary of Agriculture would have special statutory responsibilities with reference to the new district planning program. He

would be authorized to provide technical assistance, with or without reimbursement, in connection with the establishment of the districts and the carrying out of such planning. The Secretary of Housing and Urban Development would, in turn, be required to consult with the Secretary of Agriculture before approval of any district planning grants made either through the State planning agency or directly to a district council of governments (authorized by an amendment to subsec. (g)).

Conforming amendments would remove references to comprehensive planning as being for urban areas and needs.

Demonstration Projects for Planning Metropolitan or Regional Systems of Public Facilities and Services

Section 701(b) would be amended to make available, from section 701 appropriations, an additional $10 million for studies, research, and demonstration projects. This subsection now authorizes the Secretary to expend up to 5 percent of the section 701 appropriations for projects for the development and improvement of comprehensive planning techniques and methods and the advancement of the purposes of the section.

It is intended that this $10 million be used for demonstration projects in planning entire systems of public facilities and services. While the portion of the metropolitan area or the region which must be served by the entire system planned may vary with the type of public facility or service involved (i.e., water, sewer, solid waste disposal, library, etc.), the particular system being planned should serve all or so substantial a portion of the metropolitan area or the region as is necessary to obtain the intended cost and quality benefits of broad systematic planning.

The use of such large-scale facilities and services (and the resulting increased availability of special equipment and techniques) makes possible very important savings both in their installation and operation. It has, therefore, been one of the objectives of comprehensive planning, as assisted under section 701, to encourage metropolitan and other areas to provide needed facilities and services in this fashion, either through an agency having areawide responsibilities or through effective areawide cooperative arrangements. Generally, however, the 701 program has not assisted in the detailed studies and investigations (including, for example, systems analysis, cost-benefit evaluations, and other preliminary planning and engineering studies) needed fully to define the feasibility, scope, character, cost, and advantages of such systems. The proposed demonstration projects would provide valuable experience and further development in these new planning techniques and methods.

The assistance would be provided to agencies now eligible to receive planning grants under section 701 and would be limited to the same two-thirds (or three-quarters) grant ratio usually available under the section 701 program.

Comprehensive Planning Definition

The definition of comprehensive planning would be revised to make specific reference to planning for the provision of governmental services (as well as for public facilities) and for the development and utilization of human and natural resources. However, comprehensive

district planning could not include planning directed at encouraging industries to relocate from another area into the district.

Housing Element as Part of Comprehensive Planning

A new provision of the section 701 law would require all comprehensive planning to include specific planning for housing needs and land use requirements for housing with a view toward adequately meeting existing and prospective in-migrant population growth.

This provision would require section 701 assisted comprehensive planning to include a housing element as part of the preparation of comprehensive land use plans. It does not, and the section 701 program cannot, control or direct the actions of local planning organizations, but this provision may perhaps influence localities in the direction of considering and helping to meet broad regional housing needs as part of local planning and land use.

Economic Development District Planning

The present authority for three-quarters grants for planning in redevelopment areas would be brought up to date by providing such three-quarters grants also for planning in economic development districts designated under the Public Works and Economic Development Act of 1965.

Indian Reservation Planning

The present authority for Indian reservation planning would be revised to permit such grants to be made directly to tribal planning councils or other tribal bodies in all cases. Such grants may now be made directly to a tribal body only where no State agency is "empowered" to provide such planning.

Definition of Metropolitan, Regional, and District Planning Agencies

The definition of these planning agencies would require that, to the greatest extent practicable, they be composed of or responsible to the elected officials of the unit or units of general local government for whose jurisdictions they are empowered to plan. A unit of general local government could include one established on an areawide basis. This requirement would not apply when State law provided otherwise.

Use of Private Consultants

The committee has added to the preamble of section 701 a statement respecting the use of private consultants by State and local governments. This has been done to make it clear that the committee expects HUD to permit the judicious use of private planning consultants by State and local governments, where these governments deem it appropriate, in carrying out planning activities assisted under section 701. This action, however, is not meant to deny HUD the right to require a planning agency to have a reasonable percentage of the assisted work carried out by a professional staff in order to assure the continued effectiveness of the planning.

Councils of Government

Regional and district councils of government, as well as those organized on a metropolitan basis, would be eligible for grants under section 701(g). These organizations, which are made up principally of

the councilmen and similarly elected local officials of the municipalities and counties within these areas, can utilize these grants for undertaking studies, collecting data, developing areawide plans and programs, and engaging in other activities relating to the development of the area.

Cities in Metropolitan Areas

Grants would be authorized to cities in metropolitan areas, without population limit, to assist them in carrying out planning which is part of comprehensive metropolitan planning being undertaken for the metropolitan area. This authority will enable cities with populations in excess of 50,000, which are not now generally eligible for planning grants under section 701, to receive this assistance to carry out the essential job of planning the most effective use of their available, but often limited, resources. Although planning assisted with this authority must be related to and coordinated with planning being carried out for the metropolitan area, it need not be limited solely to planning of a metropolitan orientation. It may cover the full range of comprehensive planning that the city needs to carry out to properly plan its future and coordinate its development. The assisted planning by the city shall supplement and be coordinated with any State or regional planning being undertaken for the area.

New Authorizations

Subsection (b) of section 701 would be amended to provide for increased authorizations for carrying out the program. The present authorization of $230 million is to be increased to $265 million through fiscal year 1969, including $20 million which may be used only for district planning grants. For fiscal year 1970 this authorization would be increased by an additional $125 million. Ten million dollars of the amount available in fiscal year 1970 may be used only for district planning.

With this program, Congress has recognized the value of comprehensive planning as a basic prerequisite for the provision of a suitable living environment for every American family, that this planning is a responsibility of State and local governments, and that these governments require financial assistance to establish and support adequate planning organizations. Many of the resulting benefits—in terms of the savings and efficiencies from planned development—accrue to the Federal Government which annually invests millions of dollars, through its assistance programs, in urban facilities and activities.

The growth and interest in the urban planning assistance program reflects the expansion and intensity of usage of comprehensive planning at the State, metropolitan, and small-city level. From its inception in 1954, the 701 program has had a major role in establishing comprehensive planning as an accepted process for guiding and coordinating urban development. The number of different small communities receiving grants under the program has risen from 242 at the end of 1956 to 6,200 as of June 30, 1967. Metropolitan areas and urban regions receiving grants over the same period of time have increased from 23 to 247. Assistance for statewide planning was authorized by an amendment in 1959; by June 30, 1967, some 44 States had received grants for this purpose. Since authority was provided in 1965, grants to 27 councils of government have been made.

Because of this rapid growth in the 701 program, the committee believes it would be desirable for the Secretary of HUD to submit

annually, to the Banking and Currency Committees of the House of Representatives and the Senate, a report on the use of the grant funds under the program during the preceding year.

PLANNED AREAWIDE DEVELOPMENT

Section 502 of the bill would change the heading of title II of the Demonstration Cities and Metropolitan Development Act of 1966 from "Planned Metropolitan Development" to "Planned Areawide Development." In keeping with this change, it would permit the supplementary incentive grants, now authorized for certain federally assisted projects in metropolitan areas, to be made for such projects when carried out in any areas of the type for which metropolitan, regional, or district planning grants could be made under section 701 of the Housing Act of 1954 (as proposed to be amended by sec. 501 of this bill). To accommodate this program to the circumstances of the new rural planning districts (which could be established under sec. 501 of this bill), a requirement now in the law relating to such land use controls as zoning and subdivision regulations would be modified by stating that it would be applied were appropriate. In addition, this section would provide that any of the $75 million authorized for supplemental grants but not yet appropriated for fiscal years 1967 and 1968 may be appropriated through fiscal year 1970.

Under the provisions of section 205 of the 1966 act, supplementary grants of up to 20 percent of the project cost, but not in excess of 80 percent when added to the regular Federal grant, may be made by the Secretary of HUD where it has been demonstrated to his satisfaction that: (1) Areawide comprehensive planning and programing provide an adequate basis for the location and scheduling of public facilities and land development and uses of areawide or interjurisdictional public significance; (2) adequate areawide arrangements exist to carry out such planned and coordinated development; and (3) public facility projects (whether federally aided or not) and land development or uses having a major impact on the development of the area are, in fact, being carried out in accord with comprehensive planning. Also, the applicant for the grant must demonstrate that it (or the unit of general local government where it is a different body) is adequately assuring that public facility and other local projects are being and will continue to be carried out in accord with areawide planning and programing.

The projects for which supplementary grants may be made are—

(1) Grants for basic water and sewer facilities, administered by the Department of Housing and Urban Development under the Housing and Urban Development Act of 1965;

(2) Grants for the construction of libraries, administered by the Department of Health, Education, and Welfare under title II of the Library Services and Construction Act;

(3) Grants for the construction and modernization of hospitals and other medical facilities, administered by the Department of Health, Education, and Welfare under the Public Health Services Act (Hill-Burton Act);

(4) Grants for construction of sewage-treatment works, administered by the Department of Interior under the Federal Water Pollution Control Act;

(5) Grants for highway construction (Federal-aid primary and secondary systems and urban extensions, but not the Interstate System) administered by the Department of Transportation;

(6) Grants for airport development, administered by the Department of Transportation under the Federal Airport Act;

(7) Grants for urban mass transportation facilities and equipment, administered by the Department of Housing and Urban Development under the Urban Mass Transportation Act of 1964;

(8) Grants for acquisition and development of open space, for beautification and improvement, or for historic preservation, administered by the Department of Housing and Urban Development under the Housing Act of 1961;

(9) Grants for the acquisition and development of lands and waters for recreation purposes, administered by the Department of the Interior under the Land and Water Conservation Fund Act of 1965; and

(10) Grants for public works and facilities in redevelopment areas, administered by the Department of Commerce under the Public Works and Economic Development Act of 1965 (but only if they involve works or facilities of a type which the Secretary of Housing and Urban Development determines to be eligible under items (1) through (9)).

Communities are faced with overwhelming problems of growth. This continuing growth has strained to its limits the fiscal capacity of these communities, many of them rural in character only a few years ago. Growth has meant abrupt increases in taxes to pay for new transportation facilities, parks, hospitals, sewers, waterlines, and other public facilities. It is estimated that State and local governments will need to spend on the order of $280 billion for public facility capital outlays over the next 8 years. Additional billions of dollars will be invested by private entrepreneurs for new housing, shopping centers, industrial buildings, and related urban development.

The areawide development grants will provide additional financial aid to the States and their communities. However, the real significance of this proposed continuation and expansion of the supplementary grant program is not so much the actual volume of financing provided, as the leverage it exercises to foster and reward the kind of well-planned and coordinated growth that maximizes and protects these capital outlays—by Federal, State, and local governments, as well as private enterprise.

ADVANCE ACQUISITION OF LAND

Section 503 of the bill would amend section 701 and rewrite section 704 of the Housing and Urban Development Act of 1965 to provide basic authority for a more efficient and effective program of Federal assistance to localities for the advance acquisition of land expected to be needed for public purposes. The changes made by this section would include the following:

(1) It would change the definition of eligible land from "land planned to be utilized in connection with the future construction of public works or facilities" to "land planned to be utilized in the future for public purposes."

(2) Require that the proposed use of the land be undertaken within 5 years, except the Secretary could go beyond the 5-year

period if, due to unusual circumstances, he deems a longer period necessary and if he advises the Banking and Currency Committees of the Congress of this action.

(3) It would give the Secretary, as an alternative to his authority to require repayment of the Federal assistance if timely utilization is not made of the land or if it is diverted to other uses, authority to require substitution of equivalent land.

(4) It would provide for equivalent grant assistance, where land acquisitions are carried out without resort to borrowing. The amount of the grant would be based on the amount of reasonable interest charges the Secretary determines would have been required if the funds had been borrowed.

(5) It would permit the cost of land acquired under this provision to be considered as an eligible project cost for the purpose of any other Federal loan or grant program which provides assistance for land acquisition, and provide that assistance under this section will not render a project ineligible for other Federal assistance programs.

(6) It would clarify the permitted use of acquired land pending its intended utilization.

(7) It would clarify the authority of States to participate in the program.

The advantages of acquisition of land in advance of anticipated future needs have been recognized and, to some extent, realized by local governments in recent years. Such programs are particularly useful in efforts to control the urban sprawl which complicates the acquisition of lands needed for public purposes. They have also enabled local governments to secure lower prices for needed land through purchases made before extensive private improvement of the site. This approach recognizes that the value of desirable land needed for public purposes is likely to be greatly enhanced in the foreseeable future.

The committee considered an amendment which would have eliminated the present requirement in law that land acquired with assistance under this program be utilized for the purpose for which it was acquired within 5 years in favor of a requirement that such land would be put to its intended use within a reasonable period of time as determined by the Secretary of HUD. The committee does not believe that it is appropriate at this time to remove the 5-year limitation. However, it recognizes that there may be unusual circumstances that justify holding land beyond a 5-year period. These circumstances would most often arise in those types of cases where, because of a situation beyond its control, a community was unable to start construction of a building within the 5-year period, as it had planned. Occasionally, a community might have a very strong justification for planning to hold off utilizing the land until sometime after the general 5-year period and to refuse assistance to it would tend to jeopardize its ability to carry out a well thought out development program.

In the case of such unusual circumstances, the Secretary would be authorized to permit a holding period longer than 5 years if he determines it is in the public interest, but he would be required to make a prompt report to the Banking and Currency Committees of the Senate and the House of Representatives with respect to each determination. This authority to make exemptions will be most useful, we understand, to those communities who have hesitated to use this program because of the concern that some unforeseen circumstance might arise which

would prevent them from carrying out a planned development of the land within the 5-year period and thereby put them in jeopardy of being required to repay the grant. It should be noted, however, in all cases, 5 years would continue to be the maximum period for which interest assistance would be granted.

Limitations imposed on some Federal programs render projects having received other Federal assistance ineligible for additional assistance, or render the cost of land acquired with other Federal assistance ineligible as a project cost for such programs. These limitations are inconsistent with the purposes of this section and constitute unnecessary barriers to the realization of the benefits incident to the timely acquisition of land in advance of need. Consequently, the revised section 704 would provide that interest grants under this program would render neither the project, nor the cost of land, ineligible for assistance under other Federal programs.

The committee proposal recognizes that a comprehensive program of assistance for advance acquisition of land must take into account the financial capabilities and limitations of the participating localities. Many find it more appropriate at given times to use nonborrowed funds in carrying out advance acquisition programs. Accordingly, the revision provides for equivalent grant assistance for acquisition carried out without resort to borrowings. The grant would be based on the amount of reasonable interest charges the Secretary determines would have been required if the funds had been borrowed.

EXTENSION OF INTERIM PLANNING REQUIREMENTS IN WATER AND SEWER FACILITIES PROGRAM

Section 504 of the bill would make several amendments to section 702 of the Housing and Urban Development Act of 1965, which authorizes the Secretary of HUD to make grants for the provision of basic public water and sewer facilities. The first amendment would change the date, before which a program for an areawide water and sewer program must be under preparation, rather than completed, from July 1, 1968, to October 1, 1969. Another amendment would expand the present authority for the Secretary to make 90-percent rather than 50-percent grants, in certain areas in which high unemployment exists to include water facilities as well as sewer facilities. The third amendment would direct the Secretary, in administering the program, to require that, to the greatest extent practicable, new job opportunities be provided for unemployed or underemployed in connection with projects financed under the program.

Section 702 requires the Secretary, before approving an application for a basic water or sewer facility grant, to find that the proposed project is consistent with a program for a unified or officially coordinated area-wide water or sewer facilities system as part of the comprehensively planned development of the area. A special provision in section 702(c), however, permits approval of an urgently needed project during an interim period, prior to July 1, 1968, where the program for a coordinated areawide system is not completed but is under active preparation. To come under this special provision, the Secretary must find that the proposed project can reasonably be expected to be required as part of the program being developed.

Development of a comprehensive plan is a difficult and time-consuming process, especially in complicated multijurisdictional metropolitan areas. The shortage of planning personnel and—in some

cases—necessity for State legislative action can all serve to delay the development of the requisite plans. Many engineering, land use, and other decisions must be made, and there sometimes needs to be coordinated effort among several jurisdictions of local government. The 30-month time period which has been available to develop plans under existing law has proven to be too short.

The committee has been informed that failure to extend the deadline date of July 1, 1968, will require disapproval of projects for water and sewer facility grants in a large number of communities that will be unable to meet the full planning requirements by this cutoff date. At a minimum, it is estimated that up to 50 to 60 percent of all urban areas will be disqualified for grants after that date. Because of the urgent need for water and sewer facilities in many of these areas, the committee believes that they should be given another 15 months to comply with the full requirements.

The additional 15 months for the interim requirements will provide the much-needed time for communities to reach the level of planning needed to meet the intent of the full requirements.

Under the present provisions of section 702, the Secretary is authorized to make 90-percent grants in the case of a community having a population of less than 10,000 and which is situated in a metropolitan area, to assist in the construction of basic public sewer facilities if the community is unable to finance the construction of such facilities without the increased grant. To qualify for the increased grant, the Secretary has to determine that there does not exist a public or other adequate sewer facility which serves a substantial portion of the inhabitants of the community and that the rate of unemployment in the community is, and has been continuously for the preceding calendar year, 100 percent above the national average. It has come to the committee's attention that some question has been raised as to whether this authority would be available for assisting an unincorporated area whose utilities are provided by a water district or improvement district but which otherwise qualifies. To make it clear that such a situation could be covered by the law, the committee has included an amendment permitting grants to be made for unincorporated, as well as incorporated, areas which otherwise meet the population and unemployment requirements of the law. It has also included authority permitting these 90-percent grants to be made for basic public water facilities as well as public sewer facilities. Many of these areas need water as well as sewers, in order to assist them in obtaining those basic public utilities necessary to maintain a viable community.

One of the serious problems facing the Nation today is the existence of unemployment or underemployment among certain segments of our society in the midst of plenty and high employment for the rest of the Nation. The committee believes that Federal programs which fund large-scale public construction should be used whenever possible to help alleviate this employment problem. The committee believes that the water and sewer facilities program is one which is well adapted to contributing to such alleviation. Many of those who suffer from unemployment or underemployment lack the high degree of skill so often necessary in today's industrial society. Much of the work carried out under this program does not require a high degree of skill. Therefore, the committee believes that construction financed under this program should, to the greatest extent practicable, provide new job opportunities for these persons.

INCREASED AUTHORIZATIONS FOR THE WATER AND SEWER FACILITIES, NEIGHBORHOOD FACILITIES, AND ADVANCE ACQUISITION OF LAND PROGRAMS

Section 505 of the bill would provide that any funds authorized but not appropriated for grants for the basic water and sewer facilities, neighborhood facilities, and the advance acquisition of land programs will remain available for appropriation through fiscal 1970. The present authorization for these programs expires with fiscal year 1969.

Also, the authorization for the section 702 basic water and sewer facilities program would be increased from $200 to $500 million for each of the fiscal years 1968 and 1969.

Continued urbanization and industrialization have created an unprecedented demand for basic water and sewer facilities and for Federal assistance to meet this demand. The demand for neighborhood facilities to help communities provide proper centers for the provision of needed health, recreational, social, and similar community services in low and moderate income neighborhoods has also increased. The demand for grants under the advance acquisition program is expected to increase sharply with the modifications proposed in section 503 of the bill.

To help meet these needs, the unused authorization for appropriations that would otherwise expire on June 30, 1969, would remain available through June 30, 1970. This would provide $885 million (when the $600 million additional authorization is added in) for the water and sewer program, $101 million for the neighborhood facilities program, and $95 million for the advance land acquisition program that could be appropriated for fiscal year 1970, if the budget requests for fiscal year 1969 are fully funded.

OPEN-SPACE LAND PROGRAM

Section 506 of the bill would convert the funding provision for grants under the open-space land program from authority to enter into contracts to a regular authorization for appropriations. It would increase the authorization for such grants by $150 million on July 1, 1969. The amount of grant funds that may be used during any fiscal year for studies and the publishing of information would be increased from $50,000 to $125,000, and the present sublimitations for grants for open-space land in built-up areas and for urban beautification and improvement would be eliminated.

Extension of this program is essential if the Federal Government is to continue to provide a decisive impetus to State and local open-space programs. The importance of the Federal open-space land program extends far beyond the amounts approved for assistance in acquiring and developing 237,000 acres of land through fiscal year 1967. It has encouraged State and local governments to plan and execute local programs that might not otherwise have been undertaken. As an indication of this, 17 States have approved bond issues for open-space purposes totaling more than $1.25 billion since 1960. Local governments have also approved bond issues or otherwise spent millions of dollars in recent years for open-space projects.

Continuation of the program will allow a further benefit to taxpayers by facilitating the purchase of open-space land substantially in

advance of intense pressures for urbanization. Early acquisition is an important factor in reducing program costs, particularly as the Department of HUD is encouraging the purchase of open-space land closer to urban development.

At the beginning of fiscal year 1968, applications for $169 million were on hand. Requests for an additional $123.5 million are anticipated during the current year. As more local communities establish open-space programs, requests for assistance will accelerate. Continuation of the program is therefore essential.

An increase in the amount of grant funds that can be used for studies and publications from $50,000 to $125,000 will provide invaluable assistance in developing criteria and providing information on new techniques and concepts to assure the most efficient and economical ways to conserve open-space land. To give more flexibility in funding the several components of the open-space land program, the language of the proposed authorization eliminates the present sublimitations, except studies.

AUTHORIZE THE MAKING OF FEASIBILITY STUDIES IN THE PUBLIC WORKS PLANNING ADVANCES PROGRAM

Section 507 of the bill would clarify the authority of the Secretary of HUD under section 702 of the Housing Act of 1954 to make advances for the conduct of feasibility studies regarding specific public works, the planning of which may be assisted under section 702.

Feasibility studies are engineering evaluations to determine whether a proposed public works project can be developed within existing technical and economic limitations. It may include such facets as site examination, field surveys, preliminary sketches and plans, soil tests, and cost and economic analyses. Such studies are often more vital than specific plans and specifications, because they help a community consider a projected public facilities project in terms of specifics regarding costs and problems to be encountered. In effect, they help a community to make decisions regarding major and expensive undertaking before commitments are irrevocably made.

The public works planning advance program is used primarily by small communities; more than 48 percent of past advances have been to communities with populations under 5,500, and more than 86 percent to communities with populations under 50,000. Such communities often have little revenue flexibility and no funds for financing the type of planning required by feasibility studies. Without such a study it is very difficult for a small community to understand the exact nature of a proposed project and to gain the popular support needed to raise the necessary funds. Also, projects undertaken without such preliminary investigations may result in irrevocable errors, which cannot be corrected in final designs.

Title VI—Urban Mass Transportation

GRANT AUTHORIZATIONS

Section 601 of the bill would increase the authority for appropriations by $190 million for fiscal year 1970 for the urban mass transportation program. The amount of funds which may be used for research, development, and demonstrations under section 6 of the Urban

Mass Transportation Act of 1964 would be increased by $6 million on July 1, 1968.

The present fund authorization expires June 30, 1969. It is anticipated that practically the entire authorization will have been appropriated by that time. The need for continued support for mass transportation systems is clear. A recent survey of urban mass transportation capital program plans in 11 major metropolitan areas with about 43 percent of the population of all SMSA's revealed an aggregated 10-year projection of approximately $10.9 billion in capital financing needs. In nearly every metropolitan area surveyed, transit planning officials pointed to the need for increased Federal aid.

The first capital grants under the program were made in February 1965. Since that time, the rate of new applications has risen from approximately $100 million in 1966 and $200 million in 1967 to nearly $300 million. New large-scale transit development and improvement programs are being announced more frequently than in the past, and requests for Federal assistance may reach $600 million in fiscal year 1970. Funding through fiscal year 1970 is therefore essential.

Section 6 of the Act provides for a program of research, development, and demonstration projects in all phases of urban mass transportation which will assist in the reduction of urban transportation needs, the improvement of mass transportation service, or the contribution of such service toward meeting total urban transportation needs at minimum cost. A $25 million program for research, development, test and evaluation of new systems of urban transportation is proposed, based on the preliminary findings of the new system study program authorized by the Congress in 1966, and will lay the groundwork for implementation of the program to be recommended in the report on that study.

To allow for the $25 million research, development, and demonstration program level in 1969, the present sublimitation of $50 million for the section 6 programs would be increased to $56 million on July 1, 1968. This increase would provide $23.5 million in unused authorization under section 6. The balance of this program will be funded under the $3 million authorized annually by section 11 of the Act for grants to public and private nonprofit institutions of higher learning for theoretical and practical research, and for training persons for research and employment, in urban transportation.

On or after July 1, 1969, the Secretary would be authorized to use for research, development, and demonstration activities such sums as he deems appropriate out of the grant funds available under the general grant authorization contained in section 4(b) of the 1964 Act.

DEFINITION OF MASS TRANSPORTATION

Section 602 of the bill would broaden the statutory definition of "mass transportation" in section 12(c)(5) of the Urban Mass Transportation Act of 1964. The purpose of the broadened definition would be to allow greater flexibility in developing and applying new concepts and systems in urban mass transportation programs. The existing definition of "mass transportation" applies to all of the programs in the Urban Mass Transportation Act of 1964 and requires that such transportation serve the "general public" and operate "over pre-

scribed routes." In the light of recent and pending advances in the field of mass transportation research and technology this definition has become unduly restrictive. It would be replaced by a requirement that the transportation provide to the public general or special service (excluding schoolbuses or sightseeing or charter service) on a regular and continuing basis.

Section 6(b) of the 1964 Act directs the Secretary to "undertake a project to study and prepare a program of research, development, and demonstration of new systems of urban transportation." Under this project a number of new concepts and innovations which have a high potential for eventual improvement of urban mass transportation are being developed, but the present restrictive definition does not allow the Secretary to assist State and local governments in utilizing them. For example, the "prescribed route" clause would restrict the Secretary from giving assistance to projects such as a computer-aided "small bus" system, which ultimately could pick up passengers at their door and deliver them at their desired destinations while picking up and dropping off other passengers going in the same general direction. The computerized routing in this type of operation would not be "prescribed" but would depend upon where passengers wanted to be picked up and dropped off. Many of the dual mode systems would also be excluded. These are systems capable of operating over two different types of rights-of-way, one an exclusive right-of-way such as a railroad track or other fixed guideway automatically controlled and the other the local street network controlled by individual driver-passengers. Particularly in the case of the small dual mode systems, the street portions of the travel would not be over "prescribed" routes.

There are also a number of instances where it may be beneficial and in the public interest to provide capital grant assistance to mass transportation service which would serve only a specific portion of the public rather than the "general" public. For example, special service from ghettos to specific places of employment, limited to those riders who work there and coordinated to shift changes, or special service from elderly housing developments to hospitals and clinics. These services might require additional buses which the transit system involved could not afford to provide without Federal aid. Under the present law Federal assistance for such programs is not available.

EXTENSION OF THE EMERGENCY PROVISION OF THE URBAN MASS TRANSPORTATION PROGRAM

Section 603 of the bill would extend the emergency provisions of the mass transportation program until October 1, 1969. The present provisions of section 5 of the Urban Mass Transportation Act of 1964 expire on November 1, 1968.

Section 5 authorizes 50 percent Federal grants for mass transportation facilities and equipment in urban areas not yet able to meet full areawide comprehensive planning and programing requirements. These emergency grants are in place of two-thirds Federal grants available when all comprehensive planning requirements are met.

Unless this interim program is continued, many areas will be cut off from receiving mass transportation assistance. Some of these are large

metropolitan areas (such as Denver, Detroit, and New York City), where areawide planning is particularly complex and time consuming. Others are smaller in size but have only recently commenced the required planning. These areas, which cannot yet fulfill the complete areawide comprehensive planning and programing requirements of the urban mass transit program, should not be denied the assistance available under the emergency program.

It is important to note that this program, though it waives the stricter planning requirements, retains provisions to assure that planning is underway and that there is a basis for judging whether a proposed transportation project will be consistent with subsequent completed plans. The lesser planning requirements minimize any possible risk of aiding projects that will not conform to locally decided urban development and transportation objectives.

NON-FEDERAL SHARE OF NET PROJECT COST

Section 604 of the bill would amend both section 4(a) (long-range program, two-thirds grant) and section 5 (emergency program, 50-percent grant) of the Urban Mass Transportation Act of 1964 to permit any public or private transit company to provide up to 50 percent of the local share of the net project cost of a mass transportation project. This payment could be made out of undistributed cash surpluses, replacement, or depreciation funds or reserves available in cash, or new capital.

The purpose of this amendment is to clarify and implement the declaration contained in section 4(a) of the Urban Mass Transportation Act of 1964, as amended, that programs authorized by the act shall encourage to the maximum extent feasible the participation of private enterprise. It specifies that 50 percent of the non-Federal share of the net project may be provided from other than public sources. Transit system funds, however, which are used for this purpose may be provided only from undistributed cash surpluses, replacement or depreciation funds or reserves available in cash, or new capital. They may not be provided from revenues, including the proceeds of indebtedness payable out of future revenues, that are otherwise needed or would otherwise be used to meet operating costs of the system. This restriction applies to public, as well as private, transit system funds.

An exception to the 50-percent limitation to finance the non-Federal share of net project cost is provided for in situations where the State or local public body or agency applying for assistance is fiscally unable to put up any portion of the local share. In such cases of fiscal inability, up to the full amount of the non-Federal share may be provided by local public or private transit systems. However, fiscal inability of the applicant must be clearly demonstrated with data satisfactory to the Secretary which affirmatively and clearly demonstrates that the applicant is in fact financially unable to provide the local share and such information will be available to the public prior to the Secretary making the determination. Obviously a mere certification by the applicant will not of itself be sufficient. Also, the applicant State or local public body or agency must be actively engaged in the

preparation and effectuation of a unified or officially coordinated urban transportation system as part of the comprehensively planned development of the urban area.

Net project cost is defined in the basic law as that portion of the cost of a project to be assisted which cannot be reasonably financed from revenues, not more than two-thirds (or 50 percent in the case of emergency grants) of which may be paid by a Federal grant.

The committee expects the Secretary to avoid unreasonable profits to private companies through this proposed change in the law. Where private companies are involved, the Secretary, in both the establishment of net project cost and in determining the amount of the Federal grant, should have available to him a full disclosure of assets, liabilities and projected revenues of the system operations so that private capital may be attracted to this program without adding an extra burden to the Federal Treasury.

Title VII—Secondary Mortgage Market

This title of the bill would make changes in the statutory provisions affecting the Federal National Mortgage Association and its functions in the secondary mortgage market. The principal change would be the fulfillment of congressional intent expressed 14 years ago in section 303(g) of the Federal National Mortgage Association Charter Act, "to transfer to the owners of the outstanding common stock of the Association the assets and liabilities of the Association in connection with, and the control and management of, the secondary market operations of the Association under section 304 of this title in order that such operations may thereafter be carried out by a privately owned and privately financed corporation."

The committee feels that FNMA's secondary market operation has proven economically sound and capable of being financed solely from private sources. The current Federal capital contribution to FNMA, represented by outstanding preferred stock held by Treasury, totals about $142 million, and would be retired as soon as possible after the effective date of the title. The common stock, of which about $127 million is presently outstanding, would be changed from nonvoting to voting and from $100 par value to no par value and would be freely transferable. After a transitional period of 2 to 5 years, the common stockholders would control the board of directors.

The privately owned corporation would be given new financing mechanisms which could be used, in connection with existing methods, for the retirement of the Treasury-held preferred stock and the financing of its operations. The committee expects that the privately owned corporation, with its improved financing methods, will add a significant impetus to the flow of funds in the secondary market and the availability of credit in the home mortgage market.

The present Federal National Mortgage Association would be partitioned, on an effective date to be established by the Secretary of HUD but not later than 120 days after enactment, into two separate corporations. The special assistance and management and liquidating functions would remain in the Department of Housing and Urban Development and be operated through a corporation to be known as Government National Mortgage Association (GNMA) and would

remain substantially unchanged. The other corporation, which will become entirely privately owned and which will operate the secondary market operations, would be known as Federal National Mortgage Association (FNMA). The new FNMA would be a "Government-sponsored private corporation," regulated by the Secretary and would have a status analogous to that of the Federal land banks and the Federal home loan banks.

The new FNMA's secondary market dealings would continue to be limited to mortgages insured or guaranteed by FHA or the Veterans' Administration, or by the Farmers Home Administration under title V of the Housing Act of 1949, but present restrictions against buying mortgages in excess of par and against buying mortgages offered by, or covering property held by, State and local instrumentalities would be removed. In addition, the purchase authority of FNMA would be expanded to include certain mortgage-backed securities guaranteed by GNMA (as authorized by this title) so that, if necessary, FNMA could act to supplement the secondary market for such securities. The committee feels that if such securities become well enough established so that many private issuers are issuing them, they could constitute a significant factor in attracting investment funds to the field of mortgage investment.

Financing of Secondary Market Operations

a. borrowing

Existing forms of obligations would be retained (debentures and short-term discount notes) but the board of directors would be given power to increase and thereby make flexible the debt-to-capital ratio for FNMA, now fixed by statute at 15 to 1. This flexibility would be particularly helpful in times when FNMA's net purchasing rate greatly exceeds the rate by which its capital is increasing, and when, in the judgment of the board, FNMA's financial strength was adequate to justify increasing the ratio.

Two other forms of borrowing authority would be provided. First, FNMA could also issue and market subordinated obligations, in a manner similar to the current issuances of "capital notes" by banking institutions. These obligations would probably be issued on a long-term basis, perhaps 15 to 25 years, and could include provisions for their convertibility into common stock. These obligations would be subordinated to all the obligations of the corporation outstanding and to be outstanding. For this reason the amount raised by these issues would be considered to represent capital for the purposes of the debt-to-capital ratio. FNMA would be authorized to issue such subordinated obligations up to twice the sum of its capital, surplus, and retained earnings. These obligations could be issued to assist in financing the retirement of the preferred stock or the operations of FNMA.

Secondly, FNMA would be authorized to issue and market securities backed by earmarked pools of portfolio mortgages, and this authority would not be subject to any ratio limitation. Of course such securities and obligations could not be issued in greater principal amount than the aggregate principal amount of the mortgages pooled, all of which would be Government guaranteed or insured. GNMA would be authorized to guarantee the payment of principal and

interest on any such securities issued by FNMA. GNMA could also guarantee similar securities issued by other private issuers approved by it for this purpose, so long as the securities are backed by mortgages or loans guaranteed or insured by FHA or the Veterans' Administration, or by the Farmers Home Administration under title V of the Housing Act of 1949, and set aside or subjected to a trust in a manner similar to that established by FNMA. GNMA would be authorized to collect at the time of the guarantee a reasonable guarantee fee and other charges. In the event of the necessity of any payment under the guarantee, GNMA would become subrogated to the rights satisfied by the payment.

The committee believes that these securities could have greater liquidity than the mortgages backing them and can be expected to attract sources of investment funds which do not ordinarily invest in the mortgage market, such as pension funds and retirement funds.

The present authority for FNMA to borrow from the Treasury would be retained, even after all of the preferred stock has been retired. This authority has been used in the past solely as a "line of credit," but this routine use would not be continued after retirement of the preferred stock. The committee intends that the use of this backstop authority by FNMA be limited to periods of money crisis such as the "credit crunch" of 1966 or when large groups of debentures or discount notes mature simultaneously. The existence of this backstop authority, which is similar to that of the Federal home loan banks, would tend to enhance the corporation's credit standing and would constitute Government recognition of the significance of the corporation's operations to the national interest aspects of the mortgage financing industry.

B. COMMON STOCK

FNMA would be authorized to issue common stock in addition to that now required to be issued in connection with its purchasing and lending activities. For the purpose of encouraging the users of FNMA's services to develop and maintain their interest in and control of the corporation, each servicer of mortgages for FNMA would be required to own at all times a minimum amount of FNMA common stock. This minimum amount would be not more than 2 percent of the outstanding principal balances of all mortgages owned by FNMA and serviced by the servicer, but this requirement would not apply with respect to mortgages purchased by FNMA before the effective date of this bill. The present 5-percent dividend limitation applicable to the common stock would be repealed, and cash dividends could not exceed a rate determined by the Secretary of HUD to be a fair rate of return.

Control of FNMA

A. TRANSITIONAL PERIOD

The bill would provide for a 2- to 5-year transitional period during which direct control over the activities of FNMA would be transferred from the Secretary of HUD to the common stockholders. During this transitional period, the board would consist of nine members. The Secretary of HUD would appoint all nine members for the first year. For the second year, he would appoint seven members, and the stockholders would elect two. For the remainder of the

period, he would appoint five members and the stockholders would elect four. The president of the corporation would be appointed during the transitional period by the President of the United States, subject to confirmation by the Senate, and the Secretary would be required to include him as one of his appointees to the board of directors. The president of the corporation could only be removed from office during the transitional period by the President of the United States for cause.

The transitional period would end at such time as one-third of the common stock is owned by persons or institutions in the mortgage lending, homebuilding, real estate, or related businesses, but not sooner than May 1, 1970, nor later than May 1, 1973.

B. POST-TRANSITIONAL PERIOD

After the transitional period, the board of directors of FNMA would consist of 15 members, one-third of whom would be appointed by the President of the United States and the remainder of whom would be elected by the stockholders. The appointments and elections would be for 1-year terms only. The President would be required to appoint, as members of the board, one person each from the homebuilding, real estate, and mortgage lending industries. All directors would be removable by the President, but only for good cause shown. The board would have full power and responsibility for the policies of the corporation, subject only to the provisions of laws passed by Congress and regulations of the Secretary.

The Secretary would have general regulatory powers over FNMA to assure that the purposes of the Charter Act are served. The issuance of all securities or obligations by FNMA would have to receive the prior approval of the Secretary. Through this and other authority, the Secretary would participate in the decisionmaking process as to the level of mortgage purchases at various times. In addition, the Secretary could require that a reasonable portion of FNMA's mortgage purchases be related to housing for low and moderate income families, but with reasonable economic return. These mortgages could involve, for example, those insured under the proposed section 235 homeownership program and the proposed section 236 rental and cooperative housing program, or those insured under the proposed section 237 credit assistance program. These mortgages would bear interest at the market rate.

It is the intent of the committee that the regulatory powers of the Secretary will not extend to FNMA's internal affairs, such as personnel, salary, and other usual corporate matters, except where the exercise of such powers is necessary to protect the financial interests of the Federal Government or as otherwise necessary to assure that the purposes of the FNMA Charter Act are carried out.

Audit of the corporation could be performed by the Secretary of HUD. In addition, before all of the preferred stock is retired, FNMA would be considered to be a wholly owned corporation for the purposes of the Government Corporation Control Act and would be subject to audit by the General Accounting Office. After retirement of the preferred stock, GAO examination of the financial transactions of FNMA would continue so long as there are outstanding any of FNMA's obligations which are guaranteed by GNMA. This provision is included so that the contingent liability of the Government in connection with the GNMA guarantee could be protected.

Participation Certificates

The bill also provides that GNMA, which would continue the function of trustee under trusts created for sales of participation certificates, could issue such certificates for refinancing purposes. These certificates, issued to refinance certificates already approved in appropriation acts, would not be subject to the requirement of further approval in appropriation acts.

This amendment would permit the cost to the Government to be reduced through increased flexibility in management of the trusts. For instance, when original issues are sold with maturities shorter than the maturities of the pooled obligations, the early maturities could be refinanced by a sale of "rollover" certificates. Any appropriation for insufficiencies accompanying the original authorization would apply as well to any rollover sale as to the original sale.

Special Assistance Authorization

This title would also provide for an increase of $500 million in special assistance authority to become available on July 1, 1969. GNMA would use this authority, under the direction of the President, to continue purchases of mortgages underwritten by the Government which require special assistance. The present revolving authority would be increased by $525 million on July 1, 1968, under existing law.

Although there would be no new statutory requirement on the use of these funds by the President, the committee approved the additional funds primarily for the use by GNMA in the purchase of section 221 (d)(3) and (h) below-market interest rate mortgages. One purpose of the new section 236 program is to develop a new rental program for low and moderate income families as a replacement for the existing section 221(d)(3) BMIR program. However, the committee recognizes the necessity for a smooth transition from the older program to the new program without a lapse of authority which could do damage to the President's plan for stepped-up activity in the field of new construction for housing for low and moderate income families. The committee is mindful of the practical difficulties of getting a new program rolling; that is, the long leadtime it takes to prepare regulations, allocate the funds, educate the local sponsors and builders, and finally produce specific projects to receive the benefits of the new subsidy program. The section 221(d)(3) BMIR program has hurdled all of these obstacles and it is now a going program. The committee wants to assure that it will continue to be a going and effective program until the new section 236 program has reached the same degree of efficiency. The additional special assistance fund of $500 million would be used to provide the backup support for the program necessary to carry out this objective. It is understood, of course, that the President could use these funds as needed, along with the present special assistance funds to support the new sections 235, 236, and 237 programs of housing for low and moderate income families. The committee hopes that the availability of this FNMA special assistance support will act as a deterrent to discounts which otherwise would prove burdensome to sponsors, particularly nonprofit sponsors.

Title VIII—National Housing Partnerships

This title of the bill would authorize the creation of federally chartered privately funded corporations to mobilize private invest-

ment and the application of business skills in the job of creating low and moderate income housing in substantial volume. Such a coporation in turn would form a partnership, as its vehicle for participating in developments, projects, or undertakings for the provision of housing primarily for families of low or moderate income, pursuant to Federal programs or otherwise.

NEED FOR NATIONAL PARTNERSHIPS

This bill establishes a goal of 6 million low and moderate income housing units to be produced over the next decade, a tenfold increase over the previous decade. To achieve this urgently needed increase in the production of housing for low and moderate income families, it will be necessary not only to provide public subsidies, but to create additional new private institutions designed to give nationwide impetus to the production of such housing.

Although the housing industry is one of the very largest in the country, there is no single existing entity which accounts for more than one-third of 1 percent of the market, and there are few firms that carry on their activities on a national scale. The proposed National Housing Partnerships would provide a dynamic input for low and moderate income housing that is now lacking. National in scope, they would be devoted to the single purpose of producing low and moderate income housing and, therefore, would concentrate on succeeding in this one field. Such national organizations could recruit first-class management and technical staff who will make their careers in low and moderate income housing and would provide a needed source of equity capital. With nationwide market power in the low and moderate income housing field, to be supported by housing assistance payments on behalf of low income occupants under other provisions of this bill, the partnerships could realize some of the economies of scale that are inherent in volume construction and purchasing.

STRUCTURE OF A NATIONAL HOUSING PARTNERSHIP

A federally chartered, privately funded, corporation would be organized under the District of Columbia Business Corporation Act. Such a corporation in turn would form a partnership organized under this title and under the District of Columbia Uniform Limited Partnership Act. The federally chartered corporation would serve as the general partner and managing agent of the partnership and each of the stockholders, as well as others, could be limited partners. The corporation would provide the staff and expertise for the partnership in connection with the organization and planning of specific local project undertakings in which the partnership would have an interest. The corporation would receive a fee for such services.

Of the funds of each large investor under the proposal, it is contemplated that not more than 5 percent would be invested in the corporation's stock and the balance in the partnership. As limited partners they would have no liability for the debts of the partnership beyond their investment in the partnership.

The partnership arrangement makes it possible to assure an adequate return to investors. Under existing Internal Revenue Service regulations and rulings, partnership losses for tax purposes flow to the individual partners.

ROLE OF NATIONAL HOUSING PARTNERSHIPS

The National Housing Partnerships to be organized pursuant to this title would not enjoy a monopoly or special competitive advantages over existing organizations. The title provides for the creation of as many partnerships as may be necessary and specifically provides that others are free to establish enterprises similar in scope to the partnerships. The partnerships will be receiving no benefits from the Federal Government which are not presently available to limited profit corporations and associations. Partnerships would supplement and support local enterprise by forming partnership ventures with local builders and investors for the purpose of building low and moderate income housing projects in communities throughout the Nation. Such undertakings would normally be controlled and managed by local interests, with the partnership's interest being that of a limited partner which would not exceed 25 percent of the aggregate equity investment for the project, except where the balance is not readily obtainable from investors in the local community. When necessary, the partnership or the corporation would serve as the general partner in such a local venture.

Title IX—Rural Housing

HOUSING FOR LOW AND MODERATE INCOME PERSONS AND FAMILIES

Section 901 of the bill would amend title V of the Housing Act of 1949 by adding a new section 521 authorizing direct and insured loans in rural areas (places not exceeding 5,500 population) to low and moderate income persons and families and to provide rental or cooperative housing for such persons and families, where assistance is not available under sections 235 and 236 of the National Housing Act (added by secs. 101 and 201 of the bill). Interest will be at a rate which will be set by the Secretary of Agriculture after considering the cost of money to the Treasury and the payment ability of the applicants. The interest rate may not in any event be less than 1 percent per annum. An interest supplement necessary to market the insured loans will be paid from, and reimbursed by annual appropriations to, the rural housing insurance fund. Eligibility for these loans will be broadened to include persons not previously residing in rural areas. This provision regarding nonrural residents will be administered so as to restrict it to persons of low or moderate income who are employed in rural areas. However, rural housing loans to natural disaster victims could be made at interest rates not exceeding the rates currently applicable under existing authority.

HOUSING FOR RURAL TRAINEES

Section 902 of the bill would authorize financial and technical assistance to provide, in rural areas, housing and related facilities for rural trainees (and their families) enrolled in federally assisted training courses to improve their employment capability. The Secretary of Agriculture could use this authority only after he determined that such housing and facilities could not be reasonably provided in any other way. The Secretary would be required to consult first with the Secretaries of Labor; Health, Education, and Welfare; Housing and Urban Development, and the Director of the Office of Economic

Opportunity before providing this assistance. Training and housing sites would be selected only after consideration of a labor area survey and full coordination among all Federal, State, and local government agencies administering related programs. However, the committee feels that the Secretary should not approve any assistance under this section unless he is satisfied that the location has an economically viable future. In addition, the committee believes that, if feasible, trainees should be used to construct the housing but that prior to approving an advance under this section, the Secretary should make sure that the proposed housing will not unfairly compete with existing housing in the area nor with newly constructed housing built for the private market.

Related facilities would include, in addition to other service facilities, rooms and buildings for training purposes. Advances for land purchase would be repayable within periods not longer than 33 years and will bear interest. Other advances would be nonrepayable, or repayable with or without interest, depending on the applicant's payment ability, from project net income and any other available sources. Any interest charged on advances will be at a rate prescribed by the Secretary of Agriculture after considering the cost of money to the Treasury and the payment ability of the applicants. In no event would the rate be less than 1 percent per annum.

The prevailing wage requirements of the Davis-Bacon Act would apply to any project aided under this section with eight or more dwelling units and would cover related facilities as well as the housing itself.

APPROPRIATIONS

Since necessary authority under sections 235 and 236 of the National Housing Act (added by secs. 101 and 201 of the bill) will be assigned to the Secretary of Agriculture as he and the Secretary of Housing and Urban Development agree, section 903 of the bill would authorize appropriations to the Secretary of Agriculture for the cost of such administration.

PURCHASE OF LAND FOR BUILDING SITES

Section 904 of the bill would broaden the eligible purposes of domestic farm labor housing loans to include the purchase of necessary land for building sites.

SELF-HELP HOUSING

Section 905 of the bill would authorize a new program of assistance for self-help housing through the Farmer's Home Administration. Under section 905, grants could be made for preconstruction costs such as the organization of a cooperative or other self-help group, and for the provision of technical and supervisory assistance for low income individuals and their families in carrying out their mutual and self-help housing effort. Loans would be made for land acquisition and development and construction costs. The bill would authorize appropriations of up to $5 million a year for this program which would have a termination date of June 30, 1973.

The committee does not intend that this program would interfere in any way with the continued use of existing farm housing loan authority for self-help housing.

Title X—Urban Property Protection and Reinsurance

BACKGROUND

This title of the bill would implement the major recommendations of the report by the President's National Advisory Panel on Insurance in Riot-Affected Areas, entitled "Meeting the Insurance Crisis of Our Cities," which was issued in January 1968. These recommendations represented the results of 4 months of intensive study which fully considered the views and recommendations of consumers, residents, and businesses of inner-city areas, insurance brokers, insurance industry representatives, and government officials. The Panel report and its recommendations were endorsed by the President, by State and other public representatives and by all segments of the insurance industry.

The facts developed by the Panel study and the hearings on this legislation point out the insurance crisis in our cities. The deterioration of many inner-city areas is threatening the economic and social health of the cities as a whole. This deterioration has, in too many cases, caused the owners of well-maintained properties and businesses to be unable to obtain adequate property insurance against fire, crime, and other perils because of the general location of the property in a high-risk area or because of its proximity to dilapidated or hazardous structures.

In the rundown, blighted areas of some cities, private insurance companies have determined, in many instances, that it is not economically feasible to provide insurance protection. This determination has led to the practice of "red lining" entire neighborhoods, which results in an almost automatic denial of insurance for reasons of location alone, regardless of the condition of the property. Without insurance coverage against the perils of fire and crime, banks and other lenders cannot and will not extend credit for the purchase and improvement of real property or for the financing of business inventories. Thus, without insurance, property deteriorates and business, particularly small business, stagnates within the affected area. This in turn affects adjoining areas. The result of all of this is that the deterioration and stagnation within the area tends to accelerate and the area of blight tends to expand.

Recent civil disorders in many urban areas have aggravated even further the property insurance problem. Property insurance companies generally purchase reinsurance against abnormally high losses from various perils. The unusually large losses on riot and civil commotion coverage recently paid by the property insurance industry have raised the serious question of whether the same reinsurance arrangements will continue to be available. Without this reinsurance, underwriters say that they cannot continue to provide riot and civil commotion protection in the various lines of property insurance, and may seek to cancel policies currently in force or refuse to renew them when they expire.

The problem of rehabilitating our inner-city areas is receiving a great deal of attention from virtually every segment of society. Private industry is being encouraged to invest time and money in these areas. The Government through the Department of Housing and Urban Development—and other agencies—has many programs designed to help solve the problems.

Many of the efforts being made may be classified under two concrete objectives—to see that all buildings in these areas are clean, safe, and functional and to improve their economic well-being so that they will be self-sustaining and profitable. To attain these objectives it will be necessary to foster increased construction and repair in the area and to foster the expansion of existing businesses and the establishment of new businesses. Adequate property insurance is essential to both of these endeavors.

Thus, if we are to prevent further deterioration in these areas, we must assure that essential property insurance availability increases.

The committee believes that the program that would be authorized by this title will cause the increase in the availability of property insurance which is necessary if we are to transform our inner city areas into viable, healthy, growing communities.

SUMMARY OF THE PROGRAM

The Secretary of HUD would provide reinsurance to insurance companies for losses paid by them resulting from riots or civil disorders. Providing this reinsurance will enable the insurance industry to continue to provide the necessary property insurance it is now providing to property owners in urban areas. Reinsurance losses would be shared among the insurance companies (through a loss retention and reinsurance premiums paid to the Secretary), the States, and the Federal Government.

The Secretary would also encourage the private property insurance industry, in cooperation with State insurance authorities, to develop statewide plans to assure all property owners fair access to property insurance. These would be known as "fair access to insurance requirements plans" (FAIR plans). Minimum criteria would be provided in the bill for the FAIR plans, but the State insurance authority would have the responsibility of determining the scope of the plans beyond the established minimum, working out the details of the operation of the plan, implementing the plan, and overseeing its operation. An insurance company obtaining reinsurance from the Secretary would have to agree to participate in the State plan.

The Secretary and the State insurance authority would maintain surveillance over the effectiveness of the FAIR plans in increasing insurance availability. If it is determined that the FAIR plan is not obtaining the desired results, additional programs may be required as a condition to continued reinsurance in the State.

DETAILED ANALYSIS OF THE TITLE

Section 1001 of the bill would provide that the title may be cited as the "Urban Property Protection and Reinsurance Act of 1968."

FINDINGS AND DECLARATION OF PURPOSE

Section 1002(a) of the bill would set forth congressional findings that the inadequacy of the supply of private investment and credit in inner-city areas resulting from an unavailability of property insurance is accelerating the deterioration of such areas and is threatening the economic well-being of cities; recent civil disorders have caused abnormally high losses for the property insurance industry. The unpredictability of such losses has made it difficult for reinsurers to offer

reinsurance against riot and civil commotion losses on terms and conditions previously available. The resulting shrinkage of the reinsurance market has made adequate fire, crime, and other insurance coverage even more difficult to obtain; and the national interest demands urgent action to assure continued availability of property insurance.

Section 1002(b) of the bill would state that it is the purpose of the title to assist State insurance authorities and the private insurance industry in the development of statewide programs to increase the availability of necessary property insurance coverage against fire, crime, and other perils for property meeting reasonable underwriting standards, and to provide Federal reinsurance for extraordinary property insurance losses resulting from civil disorder, with appropriate State sharing.

AMENDMENT OF THE NATIONAL HOUSING ACT

Section 1003 of the bill would amend the National Housing Act by adding a new title XII, to authorize the establishment of the national insurance development program.

The provisions of the proposed new title are discussed in detail below.

PROGRAM AUTHORITY

Section 1201 of the new title would authorize the Secretary of HUD to establish and carry out the programs provided for in the title, and provides that the powers of the Secretary will terminate on April 30, 1973, except to the extent necessary to continue reinsurance until April 30, 1976, and to complete liquidation in accordance with a plan approved by Congress.

ADVISORY BOARD, MEETINGS, DUTIES, COMPENSATION, AND EXPENSES

Section 1202(a) of the new title would establish a 19-member visory board appointed by the Secretary, who would also designate a chairman and a vice chairman. Not more than six members of the board would be from the Federal Government, not less than four would be representatives of the private insurance industry (which includes the reinsurance industry), and not less than four would be representatives of State insurance authorities. The remaining members of the board would be made up of members from various segments of society, so that all interests affected by the insurance program might be represented.

Section 1202(b) of the new title would provide for the board to meet at least four times yearly and to hold special meetings at the call of the Secretary, the chairman, or any three members of the board.

Section 1202(c) of the new title would provide that the board shall review the general policies of the program, advising the Secretary with respect thereto, and perform other functions specified in the title.

By vesting the advisory board with the general advisory authority contained in this section, and the many specific areas of advisory authority contained in other sections, the committee believes that it has achieved two desirable results. It has guaranteed as many affected interests as possible that their representatives will be afforded maximum opportunity to advise and be consulted on actions taken or proposed by the Secretary. At the same time, the Secretary is afforded the opportunity to obtain expert advice in carrying out the program.

The committee is certain that the Secretary will make maximum use of the opportunity to obtain advice from the advisory board and will give full weight to that advice when determining the proper course on the various decisions which will be required.

Section 1202(d) of the new title would provide that non-Federal board members would be compensated at a rate fixed by the Secretary, and would also receive travel expenses incurred in performing their duties.

Section 1203 of the new title would define: (1) "Environmental hazard" to mean insurance hazards beyond the control of the property owner; (2) "essential property insurance" to mean insurance against direct loss to property as defined and limited in standard fire and extended coverage policies, as approved by the State insurance authority and the Secretary, and insurance for such types, classes, and locations of property against the perils of vandalism, malicious mischief, burglary, or theft, as the Secretary shall designate, but such insurance could not include automobile insurance or such types of manufacturing risks excluded by the State insurance authority; (3) "inspection facility" to mean any rating bureau or other person designated by the State insurance authority to perform inspections under the plans set forth in part A; (4) "insurer" to include insurance companies authorized to engage in the insurance business under State law; (5) "pool" to mean a pool or association of insurance companies formed to make property insurance more readily available; (6) "losses resulting from riots or civil disorders" to mean losses resulting from riots or civil disorders under policies for standard lines of property insurance for which reinsurance is offered as determined under regulations of the Secretary; (7) "property owner" to mean any person having an insurable interest in real or personal, or mixed real and personal, property; (8) "person" to include any individual or group of individuals, corporation, partnership, association, or any organized group of persons; (9) "reinsured losses" to mean losses on reinsurance claims and expenses incurred in connection therewith; (10) "standard line of property insurance" to include fire and extended coverage, vandalism and malicious mischief, other allied lines of fire insurance, burglary and theft, those portions of multiple peril policies covering perils similar to the foregoing, inland marine, glass, boiler and machinery, ocean marine, aircraft, physical damage, and such other lines as the Secretary may designate; (11) "State" to mean the several States, the District of Columbia, the Commonwealth of Puerto Rico, Guam, American Samoa, and the Trust Territory of the Pacific; (12) "urban area" to include any municipality or political subdivision of a State subject to population limits and such additional areas as are designated by the State insurance authority; and (13) "year" as a calendar year, fiscal year, or other period of 12 months as designated by the Secretary. The Secretary would be authorized to define any technical or trade term.

During the executive session, amendments were offered to extend the definition of "essential property insurance" and "standard lines of property insurance" to include protection against arson, robbery, and such other lines of property insurance as the Secretary may determine. The amendments were not accepted because it was explained that the term "burglary and theft" as used in the bill includes protection against robbery and holdup, and that the "fire" portion of the fire and extended coverage policy includes protection against arson.

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To make this point clear, it was unanimously agreed to incorporate in the report the committee's understanding that the term "fire and extended coverage" insurance includes insurance against arson. Similarly, the term "burglary and theft insurance" as used in this title include insurance against robbery, holdup, and similar crimes.

It has been pointed out that there has recently been a pattern of losses resulting from intentionally caused fire or other property damage which may or may not be connected in time or place to riots or group activity, but which could be determined to be a form of civil disorder. It is the view of the committee that losses of this nature might be considered by the Secretary when he issues regulations delineating the precise scope of "losses resulting from riots or civil disorders."

It should be noted that the Secretary has discretion as to whether to include certain types of coverage in the term "essential property insurance." The committee recognizes that there are specialized problems connected with many specific coverages which do not generally apply. However, it cannot be emphasized too much that the primary objective of this title is to increase the availability of the types of property insurance which are necessary to the owners of homes and businesses in urban areas. Accordingly, it is expected that the Secretary will include as many of these optional lines in the term "essential property insurance" as he can, having due regard for the specialized problems which may be involved with these lines.

Part A—Statewide Plans To Assure Fair Access to Insurance Requirements

FAIR PLANS

Section 1211(a) of the new title would require every insurer reinsured by the Secretary to cooperate with the State insurance authority, in each State in which it acquires reinsurance, in establishing and carrying out statewide plans to assure fair access to insurance requirements (FAIR plans).

Section 1211(b) of the new title would provide that these plans, which must be approved by the State insurance authority or authorized by State law, are to be designed to make essential property insurance more readily available in all urban areas in the State. Such plans may vary from State to State because of local conditions, but all plans must include provisions that—

(1) No insurance risk shall be written at a surcharged rate or be denied "essential property insurance" unless there is first an inspection of the property by an inspection facility, without cost to the owner of the property or deposit of prepayment premium, and a determination made that the risk is not insurable at the applicable premium rate;

(2) Inspections under the plan may be requested (in writing or otherwise) by a property owner (anyone with an insurable interest) his representative, or by an insurer, agent, broker, or other producer;

(3) The owner of the building need not be present during an inspection for a tenant seeking insurance to obtain an inspection;

(4) A copy of the inspection report will be promptly sent to an insurer after an inspection;

(5) The insurer will promptly process the application for insurance after the inspection report is received and will promptly

return to the inspection facility a copy of the inspection report and a copy of an action report setting forth the amount of coverage the insurer agrees to write. If the insurer agrees to write the coverage with a surcharge, if any is authorized, it must also state the improvements that must be made to the property before it will provide coverage at an unsurcharged rate; if the insurer agrees to provide coverage on condition that certain improvements are made, it must state what improvements are required, as well as the amount of coverage it agrees to write, and if the insurer declines the risk it must clearly state the specific reasons;

(6) An insurer declining a risk, or agreeing to provide coverage only if the property is improved, will promptly send a copy of the inspection and action reports to the property owner who requested the insurance and the State insurance authority. At the time the insurer sends these reports to the property owner, it must also explain clearly his right to appeal the decision of the insurer to the State insurance authority;

(7) All policies under the plan will be written promptly and will be separately coded for compilation and study purposes;

(8) The inspection facility will submit periodic reports on the operation of the plan to the State insurance authority and to the Secretary. This report would set forth, by individual insurer, the number of risks inspected under the plan, the number of risks accepted, the number of risks conditionally accepted and reinspections made, the number of risks declined, and other information;

(9) Each insurer participating in the plan must give a policyholder sufficient notice prior to cancellation or nonrenewal to allow the policyholder to seek a new policy under the plan and will explain to the policyholder the procedures for obtaining insurance through the plan; and

(10) A cooperative and continuing public education program will be undertaken by the participating insurers, agents, and brokers to assure that the plan receives adequate public attention.

At this point the committee wishes to emphasize that the title is not designed to replace or alter the existing structure of the insurance industry or its regulation by the individual States. It is designed to utilize the existing structure of the industry and the State insurance regulatory agencies to the maximum extent. Although minimum criteria are provided in the bill, the State insurance authority would have the responsibility of determining the scope of the plans beyond the established minimum, working out the details of the operation of the plan, implementing the plan, and overseeing its operation.

The statewide FAIR plans represent a substantial expansion of the urban area plans developed by the insurance industry and State insurance authorities to induce greater writing of insurance in urban core areas and which now operate in 13 States. Urban area plans generally cover only residential properties in limited geographical areas, offer only fire and extended coverage insurance, and have procedural inadequacies. Experience with urban area plans demonstrates their promise, and the FAIR plan is designed to fulfill that promise and secure for all property owners equitable access to basic lines of property insurance by giving the insurance industry the responsibility for locating insurance for the owner of insurable property.

ALL-INDUSTRY PLACEMENT FACILITY

Section 1212 of the new title would require all plans to include an all-industry placement facility, doing business with every insurer in the State participating in the plan. This facility would help agents and brokers place insurance up to the full insurable value of a property, except to the extent that deductibles, percentage participation clauses, and other underwriting devices might be employed to meet special problems of insurability. The facility would seek to place this business equitably among the companies with which it is doing business.

INDUSTRY COOPERATION

Section 1213 of the new title would require every insurer participating in a plan to file a statement pledging its full participation and cooperation in carrying out the plan with the State insurance authority and with the Secretary. It would prohibit an insurance company from discouraging in any way its agents and brokers from submitting applications for insurance through a plan.

PLAN EVALUATION

Section 1214(a) of the new title would provide for the State insurance authority to transmit copies of a plan, and any amendments, to the Secretary and to advise him concerning the operation of the plan, and the need to adopt other programs to make essential property insurance more readily available.

Section 1214(b) of the new title would authorize the Secretary, after full consultation with the advisory board, to modify the criteria for plans if he finds, on the basis of experience, such action is necessary or desirable to carry out the purposes of the title. The Secretary would also be authorized to waive compliance with one or more of the plan criteria upon certification by the State insurance authority that compliance is unnecessary or inadvisable under local conditions or State law. Such a waiver, however, should normally only be granted when it does not conflict with the purpose of such plans to provide increased availability of insurance.

This provision is consistent with the objective of providing maximum flexibility in order to meet different circumstances; it allows changes in the event the existing program is not operating efficiently and it allows modification or change of general requirements which may, for special reasons, be inadvisable under given circumstances.

Part B—Reinsurance Coverage

REINSURANCE OF LOSSES FROM RIOTS OR CIVIL DISORDERS

Section 1221(a) of the new title would authorize the Secretary to offer to any insurer or pool, subject to the conditions set forth in section 1223, reinsurance against property losses resulting from riots or civil disorders. Reinsurance would be offered on fire and extended coverage, vandalism and malicious mischief, other allied lines of fire insurance, burglary and theft, and those portions of multiple-peril policies covering perils similar to the foregoing. Reinsurance would be offered on all of these lines, taken together. Companies acquiring reinsurance on all such lines would be eligible to purchase reinsurance on any other individual standard line of property insurance.

Section 1221(b) of the new title would provide that reinsurance coverage may be provided immediately following enactment of the title by means of a written binder which is to expire at the end of a 90-day period or upon the effective date of the reinsurance contract between an insurer and the Secretary, whichever is earlier.

Section 1221(c) of the new title would provide that no reinsurance will be offered to an insurer in a State after the expiration of the binder referred to in subsection (b) unless the insurer is participating in that State's plan as described in part A.

REINSURANCE AGREEMENTS AND PREMIUMS

Section 1222(a) of the new title would authorize the Secretary, during the first year following enactment of the title, to enter into reinsurance contracts in consideration of payment of such premium or other charge which the Secretary deems adequate to obtain an aggregate fund in excess of the estimated amount of insured riot losses during 1967, assuming a substantial proportion of property insurance written will be reinsured. Thereafter, the Secretary may increase or decrease such premiums for reinsurance if it is found, after full consultation with the advisory board and the National Association, of Insurance Commissioners, that such action is necessary or appropriate.

Section 1222(b) of the new title would provide that the reinsurance offered shall reimburse an insurer for its total proved and approved claims for losses resulting from riots or civil disorders during the term of the reinsurance contract, in excess of the amount of the insurer's retention of such losses as provided in the reinsurance contract. The typical insurance company retention of loss arrangement is expected to involve two features: (1) An initial retention of losses, equal to a percentage of premiums earned in a State on lines reinsured, plus (2) the assumption of an additional percentage of total losses, above and beyond the initial retention. For illustrative purposes, the first percentage might be assumed to be 3 percent. Assuming that premiums earned in the State on reinsured lines amounted to $100 million, the insurers' initial retention would be $3 million ($100 million times 3 percent). If the second percentage is assumed to be 10 percent, and the total insured claims from riots and civil disorders by companies doing business in the State in a calendar year amounted to $45 million, the additional insurers' retention of losses would amount to $4.2 million ($45 million less the $3 million initial retention times 10 percent). Thus, the private insurers' retention of riot losses from their own resources would be $7.2 million.

Section 1222(c) of the new title would authorize the Secretary to include such terms and conditions in reinsurance contracts as are necessary to carry out the purposes of the title, but such terms and conditions shall be uniform throughout the country. Nevertheless, to take account of the significant variations between the needs of insurers, the Secretary, in his discretion, could permit insurers to select from different specified levels of retention of losses, provided that the premium rates adequately reflect each level so retained by each insurer, and further provided that the premium rate for any given retention is uniform for all insurers throughout the country.

Section 1222(d) of the new title would provide that reinsurance contracts will be for a term expiring on April 30, 1969, and on April 30

each year thereafter and shall be entered into within 90 days of the effective date of this title or within 90 days prior to April 30 each year thereafter, or within 90 days after an insurer is authorized to write insurance in a State which it was not so authorized to write in the preceding year.

CONDITIONS OF REINSURANCE

Section 1223(a) of the new title would set forth various conditions under which the Secretary will terminate existing reinsurance and will not offer new coverage on policies written after the termination date.

Paragraph (1) would provide that reinsurance will not be offered in any State if the State itself, its political subdivisions, or a governmental corporation or fund established pursuant to State law, does not assume a portion of the responsibility for assisting the Secretary to reinsure against losses resulting from riots or civil disorders, within 1 year after the effective date of the act, or if the appropriate State legislative body has not met in regular session during that year by the close of its next regular session. The State would not be called on to reimburse the Secretary until the reinsured losses paid by the Secretary in a calendar year are in excess of (A) the total reinsurance premiums received in the State during the year, plus (B) the excess of reinsurance premiums received in the State over reinsured losses paid by the Secretary during the preceding period measured from the most recent calendar year in which the State had reimbursed the Secretary for reinsured losses. After the Secretary has paid such amount of reinsured losses in a calendar year, the State would reimburse the Secretary for his additional reinsured losses in that State during the year, in an amount up to 5 percent of the aggregate property insurance premiums earned in the State during the preceding calendar year on those lines of insurance reinsured by the Secretary in the State in the current year. Under the foregoing formula, State sharing would not be required unless losses in a State exceeded the sum of (1) the premiums paid by the insurance industry for reinsurance in that State (premiums paid in the year in which the losses occurred plus premiums paid in previous years in excess of reinsured losses paid), and (2) the companies' retained losses. Assuming that the premiums earned in the State on reinsured lines amounted to $100 million and that the premiums for Federal reinsurance would be 2 percent of such earned premiums, the first amount would be $2 million. If the second amount of retained losses by the companies were $7.2 million, the total would be $9.2 million. Since total riot losses exceed this amount, in this example (i.e., $45 million), the State's share would be $5 million

($100 million times 5 percent). There would remain to be paid $30.8 million ($45 million less $9.2 million less $5 million). This amount would be paid by the Secretary from premiums received from companies for reinsurance in other States.

Paragraph (2) would provide that reinsurance will cease to be available on new policies written in a State after 30 days following the Secretary's notification to the insurer that the Secretary finds that a suitable program, in addition to the plan set forth in part A, is required to make essential property insurance more readily available in the State without regard to environmental hazards, and that such program has not been adopted. This paragraph, however, would not become effective until 2 years after the effective date of this act, or at such earlier date as the Secretary, after consultation with the State insurance authority may determine.

This paragraph empowers the Secretary to require, as a condition of continuing reinsurance, the establishment of mandatory, assigned-risk pools or other devices to assure the availability of essential property insurance in any State in which he finds that a voluntary FAIR plan is not fulfilling the purposes of this title.

It is the committee's understanding that the 2-year grace period in this paragraph is provided primarily to give the voluntary FAIR plans a reasonable opportunity to prove their effectiveness in broadening the property insurance market.

The committee expects the Secretary to begin evaluating the FAIR plans immediately upon enactment of this title. If at any time during the first 2 years he finds, after consultation with the appropriate State insurance authority, that additional measures are necessary to improve the availability of essential property insurance in a State, the committee expects him to require the adoption of such measures without delay as a condition of continuing reinsurance.

It has been called to our attention that a number of existing insurance policies covering inner city properties have been canceled since the April 1968 disorders. Presumably many of these cancellations were due to the unavailability of reinsurance for riot loss. The committee expects that policies canceled for this reason will be reinstated as soon as reinsurance under this title becomes available, without waiting for implementation of the FAIR plans.

Paragraph (3) would provide that reinsurance will cease to be available on policies written in a State after 30 days following notification to the insurer that the Secretary or the State insurance authority finds that the insurer is not fully participating in the plan in the State, in an existing pool, or in any other existing program found by the Secretary to aid in making essential property insurance more readily available in the State.

Paragraph (4) would provide that reinsurance will not be available on new policies written by an insurer following a merger, acquisition, consolidation, or reorganization involving an insurer with reinsurance on one or more lines of insurance and an insurer with or without such reinsurance unless the surviving company meets the criteria of eligibility for reinsurance other than as provided in section 1222(d) and promptly pays any reinsurance premiums due.

Paragraph (5) would provide that reinsurance will terminate upon cancellation by the insurer.

Section 1223(b) of the new title would provide that if reinsurance is terminated or canceled under this section coverage may continue for policies written during the time reinsurance was in force upon payment of an appropriate premium or other charge.

FINANCING THE REINSURANCE PROGRAM

The financing arrangement envisions a reinsurance program which can be self-supporting, drawing on reinsurance premiums paid by insurance companies and payments by the States to cover losses from riots and civil disorders which exceed the losses retained by the insurance companies. If riot losses throughout the Nation resulted in reinsurance claims in excess of the aggregate amount of reinsurance premiums received by the Secretary, the excess would be paid from funds borrowed by the Secretary from the Treasury, to be repaid from future reinsurance premiums. In the event that there is a need to borrow from the Treasury, the authorization in section 520(b) of the National Housing Act for mortgage insurance would be employed. If necessary the Secretary has the authority to renegotiate the amounts of the reinsurance premiums at the time of contract renewal in order to aid in the provision for such repayment. This existing authorization for the Secretary to borrow funds for payment of mortgage insurance claims would be modified so that it could also be used for payment of claims under the reinsurance program. The similar financial requirements of these insurance programs makes this appropriate. The reinsurance program, like the mortgage insurance program, must provide an assurance of prompt payment of claims, In both cases the amount of claims cannot be determined in advance and in normal situations premiums are expected to be sufficient to pay anticipated losses. The Secretary would be authorized to borrow up to $150 million for payment of reinsured losses and such further sums as the Congress, by joint resolution, may from time to time determine.

RECOVERY OF PREMIUMS; STATUTE OF LIMITATIONS

Section 1224 of the new title would authorize the Secretary to recover any unpaid premiums for reinsurance. It imposes a 5-year statute of limitations on the recovery by an insurer of excess premiums paid to the Secretary or the recovery by the Secretary for reinsurance premiums due; and provides that if an insurer has filed false documents with the Secretary with the intent to evade payment of the appropriate premium the 5-year period will not begin until the Secretary discovers the deception.

Part C—Provisions of General Applicability

CLAIMS AND JUDICIAL REVIEW

Section 1231 of the new title would authorize the Secretary to adjust and pay claims for proved and approved losses covered by reinsurance and authorizes any claimant, upon disallowance of a claim, to institute an action within 1 year after the receipt of the notice of disallowance in the U.S. district court for the district in which the insured property was situated. Jurisdiction would be conferred on the district court without regard to the amount in controversy.

FISCAL INTERMEDIARIES AND SERVICING AGENTS

Section 1232(a) of the new title would authorize the Secretary to enter into contracts with any insurer or private organization for performance of any or all of the following functions: (1) Estimating or determining reinsurance claim payment amounts; (2) receiving funds and disbursing and accounting for them in making reinsurance claim payments; (3) auditing the records of any insurer to assure proper payments; (4) establishing the basis of liability for reinsurance; and (5) otherwise furthering the purposes of the act as provided in the contract.

Section 1232(b) of the new title would provide that surety bonds may be required from the insurer or private organization, or any of its officers or employees participating in carrying out the contract, in amounts deemed appropriate by the Secretary. No individual designated to certify payments and no officer in the Federal Government disbursing funds in accordance with a proper certification of payments would be liable with respect to such payments in the absence of gross negligence or intent to defraud the United States.

NATIONAL INSURANCE DEVELOPMENT FUND

Section 1233(a) of the new title would authorize a national insurance development fund to be used by the Secretary to carry out the programs authorized under the new title. The fund would be available without fiscal year limitation to: (1) Pay reinsurance claims under the reinsurance coverages provided in part B; (2) pay the administrative expenses of the program; and (3) repay, with interest, sums which may be borrowed from the Secretary of the Treasury under section 520(b) of the National Housing Act.

Section 1233(b) of the new title would provide that the fund is to be credited with: (1) Reinsurance premiums paid by insurers in connection with the reinsurance coverages provided under part B; (2) amounts advanced to the fund from appropriations to maintain the fund in a condition adequate to meet its liabilities; (3) interest on investments of the fund; (4) receipts from other sources which may be deposited in the fund; and (5) funds which may be borrowed under section 520(b) and deposited in the fund.

Section 1233(c) of the new title would authorize the Secretary, after determination that fund moneys exceed current needs, to invest such amounts as he deems advisable through the Secretary of the Treasury, in obligations issued or guaranteed by the United States.

RECORDS, ANNUAL STATEMENTS, AND AUDITS

Section 1234(a) of the new title would require any insurer acquiring reinsurance to furnish the Secretary with summaries and analyses of information in their records in such forms as the Secretary, in cooperation with the State insurance authority, shall prescribe by rules and regulations. The Secretary would be required to use State insurance authority examination reports and facilities to the maximum extent feasible.

Section 1234(b) of the new title would require every insurer acquiring reinsurance to file with the Secretary a copy of the annual statement, or any amendment thereto, that it files with the State insurance authority of its domiciliary State, at the time it files the statement or amendment with the insurance authority.

Section 1234(c) of the new title would require insurers or other persons executing contracts with the Secretary under sections 1222 or 1232 to keep such reasonable records as will facilitate an effective audit of liability for reinsurance payments by the Secretary.

Section 1234(d) of the new title would authorize the Secretary and the Comptroller General of the United States, or their designees, to have access to the books and records of an insurer or other person for the purpose of conducting an audit pertinent to the costs of any program undertaken for, or services rendered to, the Secretary.

To the maximum extent feasible, such audits are to be conducted in cooperation with State insurance authorities and through use of their examining facilities.

STUDY OF REINSURANCE AND OTHER PROGRAMS

Section 1235 of the new title would authorize and direct the Secretary to conduct studies to help assure an adequate supply of burglary and theft and other property insurance in urban areas, and to help assure the adequate availability of surety bonds for construction contractors in urban areas. The Secretary is required to submit the results of his study, together with appropriate recommendations, to the President and the Congress no later than 1 year after the effective date of the title.

Section 1236 of the new title would authorize the Secretary to undertake studies of (1) the operation of the plans under part (A); (2) the extent to which essential property insurance is unavailable in urban areas; (3) the market for private reinsurance; and (4) loss-prevention methods and procedures, insurance marketing methods, and underwriting techniques.

GENERAL POWERS

Section 1237 of the new title would give the Secretary the authority to issue rules and regulations and other powers and duties set forth in section 402 (except subsecs. (c)(2) and (f) which are not relevant and (d) which is obsolete) of the Housing Act of 1950. This would provide for a budget program and audit of accounts in accordance with the Government Corporation Control Act, and also provide that financial transactions under the reinsurance program shall be final and conclusive upon all officers of the Government.

SERVICES AND FACILITIES OF OTHER AGENCIES—UTILIZATION OF PERSONNEL, SERVICES, FACILITIES, AND INFORMATION

Section 1238 of the new title would authorize the Secretary, with the consent of the agency concerned, to utilize the personnel and information of any agency of the Federal Government on a reimbursable basis and to obtain without reimbursement data relating to matters within the jurisdiction of the Secretary from any agency having custody of such data, to the extent permitted by law.

ADVANCE PAYMENTS

Section 1239 of the new title would provide that the Secretary may make reinsurance payments in advance or by way of reimbursement and in such installments and on such conditions as he may determine.

TAXATION

Section 1240(a) of the new title would exempt the National Insurance Development Fund from taxation by any local or State government and the Federal Government, except on real property acquired as a result of reinsurance. Real property may be taxed by a State or political subdivision thereof to the same extent, according to the value of the property, as other real property is taxed.

Section 1240(b) of the new title would provide that any measures undertaken by a State to meet or fund its obligations for reinsured losses under section 1223(a)(1) of the title shall not be the subject of any retaliatory or fiscal imposition by any other State.

APPROPRIATIONS

Section 1241 of the new title would authorize such appropriations as may be necessary to carry out the title.

FINANCING

Section 1004 of the bill would amend section 520(b) of the National Housing Act to permit use of the borrowing authorization contained therein for payment of losses reinsured under title XII of the act, provided that borrowings for this purpose shall be limited to $150 million or such further sums as the Congress, by joint resolution, may from time to time determine. It is contemplated that such borrowings will be repaid from future premiums to the reinsurance fund.

Title XI—National Flood Insurance

Title XI of the bill would authorize a national program under which flood insurance can be made available to occupants of flood-prone areas through the cooperative efforts of the Federal Government and the private insurance industry. The program would be administered by the Department of Housing and Urban Development. Other Government agencies would cooperate with the Department with respect to gathering data necessary for establishing actuarial premium rates.

The facilities of the private insurance industry would be fully utilized in carrying out the program. Private insurance companies could either assume a portion of the risk in carrying out the program or could participate on a nonrisk basis. Risk-sharing companies would commit risk capital to an industry pool of companies which would absorb a share of the losses and expenses of the program. The Federal Government would make premium equalization payments to the pool to cover losses and also would provide reinsurance coverage to the pool for excessively high losses. Insurance companies in the pool would pay a premium to the Government for this reinsurance coverage in years of low-flood losses. Other non-risk-bearing insurance companies would participate in the program as fiscal agents of the pool.

A most important public purpose which the program will serve will be to encourage State and local governments to adopt and enforce appropriate land use provisions to restrict the future development of land which is exposed to flood hazard.

Flood insurance legislation (S. 1985) was passed by the Senate on September 14, 1967. This legislation was subsequently amended and passed by the House on November 1, 1967. Both the House and the Senate insisted upon their versions of the legislation, and conferees were appointed by both Houses. A conference committee meeting between the two Houses on the legislation was not scheduled. The provisions of title XI are substantially those contained in S. 1985 as it was passed by the House except for the provision relating to the method of funding the obligations of the Federal Government under the program. As passed by the House, there would have been authorized to be appropriated for this purpose up to $500 million, while under the Senate version the Secretary would have been permitted to utilize existing authority under the Federal Flood Insurance Act of 1956 to borrow up to $500 million from the Treasury. The committee proposal would permit utilization of the existing borrowing authority but only in an aggregate amount not exceeding $150 million.

NEED FOR A FLOOD INSURANCE PROGRAM

Heavy losses over the years from hurricanes in the coastal areas and from storms in inland areas of the Nation dramatize the lack of insurance protection against flood damage. Insurance protection against the risk of destruction caused by tornadoes and other natural catastrophes is generally available, but it is not available against the risk of flood loss.

Communities along the seacoast or in a river basin become completely immobilized following a major flood. Usually they must depend on the Federal Government and voluntary relief agencies to provide various forms of assistance. Some State and local governments have limited programs to assist a flood-stricken area, but disaster relief from all of these sources is inadequate to provide for the necessary restoration of heavily damaged areas. These facts underline the need for a program which will make insurance against flood damage available, encourage persons to become aware of the risk of occupying the flood plains, and reduce the mounting Federal expenditures for disaster relief assistance.

DESCRIPTION OF THE TITLE

The Secretary of Housing and Urban Development will establish a program of flood insurance, as a joint venture between the Federal Government and the private insurance industry. The bill permits as an alternative, but only if necessary, an all-Federal program with or without participation by companies, agents, or brokers as fiscal agents.

COVERAGE

Under this title, insurance will be made available for one- to four-family residential properties and for smaller business properties such as the typical neighborhood family enterprise. The committee wishes to point out that because rate data for these properties are not now available, rate studies of these small business properties must be carried out before coverage can be provided.

Flood insurance could be expanded to cover other types and classes of properties (such as other business, agricultural, and other properties), only when, on the basis of studies and other information, this was found feasible, and only after further congressional action. There will therefore be an ample opportunity for the Congress to appraise the feasibility of including any other properties in the program.

A priority will be given to making insurance available in States or areas which had evidenced a positive interest in the program, and which had given assurances that by June 30, 1970, appropriate permanent land use and control measures consistent with land management and use criteria specified by the Secretary will have been adopted.

The bill provides for a two-stage requirement: (1) that for any area in which insurance is offered before June 30, 1970, an assurance be given that, by that date, permanent land use and control measures will be adopted which are consistent with criteria prescribed under the bill, and (2) that after that date, no new insurance contract may be written or existing contract renewed unless such measures, with effective enforcement provisions, have been adopted in the area.

These land use criteria will be developed on the basis of joint Federal-State-local studies and will be designed to spur the adoption of State and local measures. The objectives of such regulations would be to (1) restrict the development of land exposed to flood damage, where appropriate, (2) guide the development of proposed construction away from areas threatened by flood hazards, (3) assist in reducing damage caused by floods, and (4) otherwise improve the long-range land management and use of flood-prone areas.

After consultation with the flood insurance advisory committee authorized under the bill, representatives of the flood insurance pool, and representatives of the State insurance commissioners, the Secretary will determine the types, classes, location of, and other matters relating to the eligibility of properties for flood insurance. These matters will be covered in regulations.

Residential properties.—Under section 1107(b)(1)(A) of the bill, insurance for one-family residential properties at rates below acturial cost will be limited to $17,500 liability per dwelling unit, and to $30,000 for any two- to four-family single structure. Aggregate liability for contents in these circumstances would be limited to $5,000 per dwelling unit.

Smaller business properties.—Under section 1107(b)(1)(B) of the bill smaller business properties can be insured at rates below actuarial cost in an amount up to $30,000, plus $5,000 multiplied by the number of the small business occupants of the structure involved; the total thus derived (which would include both the structure and its contents) would be allocated among the small business occupants (or among them and the owner) under regulations prescribed by the Secretary, with coverage for the structure itself at below-cost rates being limited in any case to $30,000.

Section 1107(b)(1)(B) makes flexible the limits for insurability of structure and contents for smaller business concerns. Drug, hardware, furniture, and clothing stores often contain on the premises stocks valued at many times the total value of the structure of the business establishment itself. High floodwaters often force into bankruptcy these concerns whose stocks are ruined, even though damage to the structure might be modest in scale, perhaps being confined to interior floors.

Section 1107(b)(1)(B) recognizes at the outset of the program the need for flood insurance for contents of smaller business establishments on a more equal level of priority with that of insurance for structures. Because the program is new the committee thinks that it is appropriate to grant the Secretary ample flexibility through regulations to be promulgated so as to permit a more equitable division of insurance coverage between small business structures and contents.

Additional coverage at full-cost premiums.—The dollar limitations imposed under sections 1107(b)(1)(A) and 1107(b)(1)(B) will only be applicable to insurance involving premium rates below actuarial cost. The committee bill permits insurance at full actuarial cost to be sold for coverage in excess of the applicable dollar limits specified (or allocated), up to twice these limits. Thus, for example, an existing single-family residential unit valued at $38,000 might be eligible for up to $17,500 "subsidized" insurance on the real property and for insurance at the full-cost rate at amounts of coverage between $17,500 and $35,000; and the contents might be insured at amounts of coverage between $5,000 and $10,000 at the full-cost rate.

Similarly, if a smaller business property valued at $90,000 is occupied by two firms, one of which is the owner, and the maximum structure-plus-contents coverage of $40,000 is allocated $30,000 to the owner (for $20,000 real property coverage and for $10,000 contents) and $10,000 to the other firm (for contents only), additional insurance at the full-cost rate might be provided to the owner for coverage between $30,000 and $60,000 (between $20,000 and $40,000 for real property and between $10,000 and $20,000 for contents) and to the other firm for coverage between $10,000 and $20,000 (for contents).

INSURANCE PREMIUM RATES

Necessary rate studies and investigations will be carried out through utilization of the services of the Army Corps of Engineers, the Geological Survey, the Soil Conservation Service, the Coast and Geodetic Survey, TVA, and other Federal departments and agencies, to estimate risk premium rates (actuarial rates) for flood insurance. The Secretary will also estimate rates (at less than the risk premium rates if necessary) which will be reasonable and will encourage persons to purchase flood insurance. These studies and investigations will be designed to accumulate necessary information in addition to the data

which the Department now has with respect to flood insurance as a result of the flood insurance study. Estimates of rates will include applicable operating costs and operating allowances (administrative costs of selling and servicing insurance, and the profit and contingencies, respectively). Based on these estimates and determinations of reasonable rates which can be charged to property owners, the Secretary will prescribe chargeable premium rates for eligible properties (at less than the risk premium rates, if necessary) and the terms and conditions applicable to such rates.

In prescribing rates, the respective risks involved would be considered, in terms of location, type of structure, flood-proofing or similar measures, and other criteria. Rates will be stated so as to reflect the differences between estimated risk premium rates and the rates charged when they are below these rates.

Property constructed or substantially improved, after identification of the area in which it is located as a flood hazard area, could only be insured at the risk premium rate (actuarial cost) estimated for the property in such area.

Any Federal "subsidy" which will accrue under the insurance program to the benefit of property owners now occupying the flood plain is defensible only as part of an interim solution to long-range readjustments in land use. Because such assistance should not prejudice these needed long-range adjustments, the case for temporary partial subsidization of the cost of flood premiums for existing properties in high-hazard zones is not at all valid for new properties in the same zones.

Actuarial premium rates must be established before insurance is offered. To meet the objectives of actuarial soundness, the Secretary will compile and analyze flood frequency data in individual flood plain areas and establish rates based on a consideration of the risk involved and accepted actuarial principles with respect to the types and classes of property for which flood insurance coverage will be available. This will be done on an area-by-area basis, since flood damage risks vary from one area to another.

DUPLICATION OF BENEFITS

The committee bill is designed to encourage individuals to pay at least part of the cost of providing insurance to protect them against flood disasters, and thereby to reduce the need for special disaster relief measures. To this end, the bill contains provisions to prevent any duplication of Federal disaster benefits with respect to portions of property loss covered under flood insurance policies. Other provisions are designed to encourage persons most likely to suffer future damage from flood either to purchase flood insurance made available to them within a reasonable period of time, or, with certain exceptions, be precluded from further Federal disaster assistance in the event of future floods.

FEDERAL FINANCIAL PARTICIPATION IN THE PROGRAM

Any program of insurance against the risk of flood losses must have assurance that funds will be made available to meet abnormally high losses that may occur in any single year. The bill therefore creates the national flood insurance fund in the Treasury of the United

States which would become the instrumentality through which the Federal Government's share of the cost of the insurance program will be provided. To finance this fund, the authority which was available to the Housing and Home Finance Administrator by section 15(e) of the Federal Flood Insurance Act of 1956 is vested in the Secretary. Under this provision as limited under section 1110 of the bill, the Secretary may issue notes or other obligations to the Secretary of the Treasury in the aggregate of $150 million to carry out the Federal responsibilities under the program. These are: (1) Making premium equalization payments to the insurance pool to compensate for losses attributable to the difference between the actuarially correct premium and the premium actually charged the policyholder; and (2) providing a Federal program of excess loss reinsurance, to assist the industry in meeting losses in years of higher than normal claims.

Borrowed Treasury funds will be deposited in the flood insurance fund authorized under the bill. Appropriated funds necessary to maintain the fund in an operative condition will also be deposited in the fund as will reinsurance premiums paid by the insurance pool. Subsidy payments and reinsurance claims will be paid from the fund. The fund will also become the fiscal means through which Treasury borrowings would be repaid, and available moneys would be used for this purpose (supplemented by moneys appropriated to the fund).

This financing mechanism for carrying out the program is essential to its operation, because it will be necessary to carry out commitments which the U.S. Government will be required to make, and to meet liabilities it assumes for payment of a share of claims and expenses under contracts with an insurance industry pool. Under the bill, the Secretary will enter into agreements with a flood insurance pool, and will make periodic premium equalization payments and, when necessary, provide reinsurance to the pool. The exact amount of payments will be unknown until the flood damage occurs, the claims are made, adjusted, and certified. At such times, the insurance pool, under agreement with the Government, will have already made payment of these claims. The pool therefore must have available the Government's share of liabilities under the program without delay.

LIMITATIONS

The face amount of flood insurance policies outstanding at any one time could not exceed $2.5 billion. This figure does not relate to potential losses, but is a limitation on early growth of the program. The sum is equivalent, for example, to coverage of somewhat over 100,000 homes at $14,000 per unit, and about 30,000 smaller businesses at $28,000 per unit, and the limitation will therefore have to be reviewed by the Congress when additional coverage is needed.

In addition, the bill provides that flood insurance could not be issued for property declared to be in violation of State or local laws, regulations, or ordinances intended to discourage or otherwise restrict land development or occupancy in flood-prone areas.

ORGANIZATION AND ADMINISTRATION OF THE FLOOD INSURANCE PROGRAM

The Secretary is authorized to carry out the flood insurance program through a pool organized by the insurance industry or through a Government program with or without industry aid, or through both administrative means.

INDUSTRY PROGRAM WITH FEDERAL FINANCIAL ASSISTANCE

Insurance company pool.—The Secretary will encourage private insurance companies to join together in a pool to sell and service flood insurance coverage under the program. These companies will participate financially in underwriting the risks assumed, and in profits or losses realized or sustained.

The Secretary will enter into an agreement with any such pool and the agreement will form the basis of the relationship between the Government and the industry. In general, the agreement will require assurance from the industry: (1) Regarding continuity of coverage by insuring companies; (2) that companies meeting minimum standards will not be excluded; and (3) with respect to cooperation with other companies, agents, and brokers who wish to sell and service flood insurance on a non-risk-sharing basis.

Premium equalization payments.—Subsidy payments would be made to the pool to compensate for losses after they occur. These payments would reflect the difference between below-cost premium rates, and actual-cost premium rates. The payment formula is prescribed in the bill.

Reinsurance.—The Secretary is authorized to provide a reinsurance program for the insurance industry pool. This program would be designed to insure that the industry and the Federal Government share in bearing the losses under the flood insurance program consistent with the objectives of the legislation.

The program will be carried out under an excess loss reinsurance agreement, requiring payment of reinsurance premiums by the pool. Reinsurance payments to the pool by the Government will be made when a stop-loss limit on claims on the pool is exceeded. Before the stop-loss limit is reached, the pool will call upon the risk capital pledged by risk-participating members.

GOVERNMENT PROGRAM

Federal operation of the program.—The bill provides a "backstop" in the event the pool cannot carry out the joint Federal-private program effectively. The Secretary of HUD would be required to make a report to Congress with supporting findings and recommendations 30 days prior to implementing the all-Federal program. Then the Secretary would be empowered to establish a totally Federal program or a federally financed program using insurance companies, agents, and brokers to sell and service policies.

OPERATION OF THE FLOOD INSURANCE PROGRAM

Insurance industry pool.—The insurance pool authorized by this title will be an association of private insurance carriers formed to make flood insurance available. It will be open to all qualified companies

licensed to write property insurance under the laws of the separate States who meet minimum requirements prescribed under the bill. Relations between the Government and the insurance pool will be governed by an agreement which will set forth in detail the conditions of operation.

Participation in the pool by private companies can take the form of risk capital participation. Some companies can elect to operate as fiscal agents for risk-taking members of the pool. The significance of this arrangement is that small companies with limited capital resources will not be prevented from participating.

Operation of the pool.—Participating member companies of the pool, either as risk bearers or as fiscal agents, will sell and service policies in much the same way as they now sell insurance against fire and other perils. Their relationship with the pool will be governed by an agreement, the conditions of which will be subject to approval by the Secretary of Housing and Urban Development. As fiscal agents they will be paid fees for selling and servicing of policies. As risk bearers, they will share in the aggregate profits or losses of the pool's operation for a particular acconting period. Risk-bearing member companies will be jointly liable for the payment of claims by insolvent members.

The Government-pool relationship will be governed by an agreement setting forth financial and other arrangements.

Financial arrangements with Government.—Discussions have been held between the Department of Housing and Urban Development and the industry as to the financial arrangements which could be made for operating the proposed joint flood insurance program. An understanding has been reached on the broad features of expenses, losses, and profits.

Among the broad features of the financial arrangements which have been discussed, one key feature is that the Government and the industry will both share in expenses and losses of the insurance operation. The basis for this sharing will be the same as the sharing in the risk.

The sharing in the risk will be measured by the relationship between chargeable premiums—that is the premiums which policyholders pay—and the estimated risk premiums—that is, the premium needed to cover the actuarial risk plus operating costs and allowances. The Government will assume that proportion of the risk represented by the difference between these policyholder-paid premiums collected and the estimated (actuarial) premium amounts for all policies written and in force under the program.

As the program develops, it can be expected that the industry's risk and share of losses will become greater. This is because existing properties will be substantially improved or replaced by new properties, and therefore, more and more of the chargeable premiums will become full cost premiums. At some time in the future, therefore it is possible for the chargeable premiums to equal the estimated premiums. At that time, the Government will have no liability for expenses or losses, except with respect to reinsurance that may be needed against catastrophic losses. This feature of the proposed arrangement seems to the committee to be desirable from the standpoint of the Federal Government, the private insurance industry, and the public as a whole.

Title XII—Mortgage Insurance for Nonprofit Hospitals

This title would add a new section 242 to the National Housing Act to authorize the Secretary of HUD to insure mortgages of nonprofit hospitals. There is a serious shortage of hospital facilities in the Nation today and, even where hospitals presently exist, many of them are in need of extensive expansion and modernization. Although much hospital construction has been made possible in recent years with direct Federal assistance under the Hill-Burton Act and many nonprofit groups have been able to provide hospitals through fundraising drives and similar efforts, these two sources have been inadequate to fund all the facilities needed. Recent testimony before the Congress indicated a minimum need in the neighborhood of $3.7 billion. One source of funding that has not been utilized to its full potential is long-term mortgage financing. Unfortunately, nonprofit organizations have found mortgage lenders reluctant to provide such financing at reasonable terms or over the periods of time which are necessary to permit the nonprofit hospital to amortize the loan without unduly burdening its patients.

This new section of the National Housing Act would go a long way toward alleviating this problem by utilizing the time-tested formula of FHA insurance of long-term mortgage financing. FHA insurance has proven to be extremely successful in promoting the construction of much needed housing in this country over the past 35 years and the committee believes that it would be successful in helping to alleviate the present serious shortgage of hospital facilities. This can be done without any anticipated cost to the Federal Government, since the program would be self-sustaining through the collection of mortgage insurance premiums just as is now true in connection with FHA's housing programs.

The committee wishes to emphasize that the provisions of title XII were drafted so as to supplement and not interfere in any way with the basic Hill-Burton grant program for modernization and construction of hospital facilities.

Under this section, a mortgage in an amount not to exceed $25 million and not in excess of 90 percent of the estimated replacement cost of the property could be insured by the Secretary for the purpose of providing a new hospital or rehabilitating an existing hospital. An eligible hospital would be one which provides community service for inpatient medical care of the sick or injured (including obstetrical care) and in which not more than 50 percent of the total patient-days during any year are customarily assignable to the categories of chronic convalescence and rest, drug and alcoholic, epileptic, mentally deficient, mental, nervous and mental, and tuberculosis. The hospital would have to be owned and operated by one or more nonprofit organizations or associations no part of net earnings of which inures, or may lawfully inure, to the profit of any private shareholder or individual.

The mortgage could cover the cost of major items of equipment needed to operate the hospital as well as the cost of the actual construction or rehabilitation. As for the FHA group practice facilities mortgage insurance program and the FHA nursing home program, equipment is

a major and absolutely necessary aspect of providing a hospital ready to serve the public. This equipment is often quite costly and the committee believes that it would be better to finance it under the longer terms of the mortgage rather than requiring the hospital to resort to the short-term financing that would otherwise be necessary. It wishes to emphasize, however, that the equipment items includable would only be those costly, major items which are essential to the operation of the hospital and not minor items, many of which have a short life term.

The Secretary could not insure any mortgage under this new section unless he had received, from the State agency designated in accordance with section 604(a)(1) of the Public Health Service Act for the State in which the hospital is located, a certification that (1) there is a need for the hospital, and (2) there are in force in the State, or the political subdivision in which the hospital would be located, reasonable minimum standards of licensure and methods of operation for hospitals. The Secretary would have to receive assurance satisfactory to him from the State agency that such standards will be applied and enforced with respect to any hospital receiving mortgage insurance. This will assure that the Federal insurance will not be provided with respect to inadequate hospitals or those which do not adhere to minimum standards prescribed by the State or locality. In view of the fact that the Department of Housing and Urban Development does not have staff with specialized knowledge in the field of hospital operation, the committee believes that this requirement is an absolute necessity. It also expects the Department of Health, Education, and Welfare to assist HUD in devising the standards that will govern the insurance of these mortgages, thereby enabling HUD to draw upon the expertise available in HEW in this field.

The new section would also encourage mortgage insurance for facilities that are owned by nonprofit organizations with programs that undertake responsibility to provide comprehensive health care, including outpatient and preventive care, as well as hospitalization, to a defined population. This will enable group practice organizations which exist for the purpose of providing a full range of health services to their members through prepayment plans to finance facilities in which they cannot only provide day-to-day medical attention to their members but also such hospital care as may be necessary.

This title would also amend section 212 of the National Housing Act, to make applicable the labor standards provisions of that section to the construction and rehabilitation financed with mortgages insured under the new section 242. However, these requirements could be waived with respect to labor donated, without compensation, to the project by laborers or mechanics not otherwise employed at any time on the project, provided the value of such donated labor is fully credited to the hospital.

Title XIII—Housing Goals and Annual Housing Report

REAFFIRMATION OF GOAL

Section 1301 of the bill would state a congressional finding that the Nation's housing is not increasing rapidly enough to meet the national housing goal, as set forth in the Housing Act of 1949, of the "realization

as soon as feasible of the goal of a decent home and a suitable living environment for every American family," and would, therefore, reaffirm this national goal and determine that it should be met within the next decade by the construction or rehabilitation of 26 million housing units, 6 million of which would be for low and moderate income families.

ANNUAL HOUSING REPORT

Section 1302 of the bill would direct the Secretary of HUD to report annually to the President and the Council of Economic Advisers his estimate of the number of units of public and private housing through both new construction and rehabilitation, produced in the preceding year; his estimate of the number of such units produced for low and moderate income families; his assessment of whether the 10-year housing goal is being met; his recommendation for the current annual goal to meet the 10-year goal; and his recommendations for legislative and administrative measures necessary to achieve the 10-year goal. Such estimates are vital to plan housing programs consistent with this goal and the committee expects that this data will be made available to the Congress for its guidance in carrying out its responsibilities in this field.

Title XIV—Miscellaneous

MODEL CITIES

Section 1401 of the bill would authorize appropriation of $12 million for planning grants and technical assistance for comprehensive model cities programs in fiscal year 1969. It would also authorize appropriation of $1 billion for fiscal year 1970 for supplementary grants and for other purposes under the model cities program. It would further provide that any amounts authorized for the model cities program but not appropriated may be appropriated in any succeeding fiscal year.

The model cities legislation, enacted in 1966, provided authorizations for appropriation for planning and technical assistance grants for fiscal years 1967 and 1968. These funds are expended through technical assistance and 80 percent planning grants in advance of financial assistance to approved model city programs. Planning grants are designed to assist cities in their planning and preparation for comprehensive programs. The committee feels that in the interest of continuity and advance planning, this authorization should be continued at the same level for an additional year so that the program may continue without interruption.

The current authorization of $500 million for supplemental grants, relocation grants, technical assistance, and 80 percent grants for administrative expenses expires at the end of fiscal year 1969. In order to assure the availability of sufficient funds for the action programs of the model cities, this section authorizes the appropriation of $1 billion for fiscal year 1970. This authorization will provide the grant funds needed for the model cities program and affirm the continuing Federal commitment to support the efforts of the participating cities to eliminate the social and physical deterioration which they have recognized but cannot cure without increased Federal assistance.

URBAN RENEWAL DEMONSTRATION GRANT PROGRAM

Section 1402 of the bill would amend section 314 of the Housing Act of 1954 which provides for Federal grant assistance for developing, testing, and reporting methods and techniques and carrying out demonstrations and other activities for the prevention of slums and urban blight. This amendment would expand the program provided under section 314 by permitting grants to be made to nonprofit organizations as well as to public bodies; by increasing the maximum level of Federal assistance for a demonstration project from two-thirds to 90 percent; and by increasing the amount of funds available to the program from $10 million to $20 million. It also provides that when a demonstration project is to be carried out by a nonprofit organization, the activities and undertakings assisted under section 314 are not to be inconsistent with the program of the interested local public agency for the locality directly involved. The committee believes that a nonprofit group receiving a grant should coordinate its plan with the local authorities.

The committee feels that the urban renewal demonstration program has proved invaluable in providing a means for exploring new approaches in dealing with the problems of slums and urban blight. By providing funds which can be focused on a particular aspect of the problem or on a particular new approach, it has been possible to achieve new insights which a local urban renewal agency could not normally achieve as part of its regular activities of dealing with these problems.

This program is a necessary element in the Federal Government's arsenal of weapons to deal with the problems of slum and blight. However, the flexibility of the program has been limited by the present requirements that grants may only be made to public bodies and that the grant cannot exceed two-thirds of the cost of carrying out the demonstration.

The present authorization is expected to be exhausted by the middle of fiscal year 1969. Yet, the renewal program is becoming more complex as additional private, as well as public, resources are devoted to slum prevention and elimination. As new problems are identified, new approaches mush be devised to meet them. The increase in authorization would enable this program to continue to meet these needs.

AUTHORIZATION FOR URBAN INFORMATION AND TECHNICAL ASSISTANCE SERVICES PROGRAM

Section 1403 of the bill would authorize appropriation of not to exceed $5 million for fiscal year 1969 and not to exceed $15 million for the fiscal year ending June 30, 1970, to carry out the purposes of the title IX program. Under this program matching grants are made to States to help them provide urban information and technical assistance services to communities of less than 100,000 persons. This program was authorized in the Demonstration Cities and Metropolitan Development Act of 1966.

The present authorization for the program expires with the current fiscal year. The committee feels that the continuation of the title IX program would make a substantial contribution to encouraging State

involvement in urban affairs by helping the States to provide the advisory and information services which small communities need but so often cannot afford.

This program can provide a network of compatible and coordinated State urban information systems which would facilitate information exchanges at various levels of government. It can also harness information collection and retrieval technology so that data that has been collected can be used for solving similar problems.

ADVANCES IN TECHNOLOGY IN HOUSING AND URBAN DEVELOPMENT

Section 1404 of the bill authorizes the appropriation of such amounts as may be necessary to continue the advances in technology in housing and urban development program authorized by section 1010 of the Demonstration Cities and Metropolitan Development Act of 1966. The present authorization expires at the end of this fiscal year.

This section would also permit the letting of research contracts for periods of up to 3 years instead of the presently authorized 2-year period.

This program is designed to test and demonstrate new and improved techniques and methods of applying technological advances to housing construction, rehabilitation, and maintenance and to urban development activities. It directs the Secretary of HUD to encourage and promote acceptance and application of modern techniques by all segments of the housing industry. It does not involve basic research. Rather, it is intended to encourage application of existing advances in technology created by private research and development efforts so as to assist industry in reducing the costs and improving the quality of housing construction.

Authorization of appropriations in such amounts as required will permit the program to be responsive to the need to test, demonstrate, and encourage the use of continuing technological advances. In addition, in order to accomplish effectively the program's goals, the Secretary would be given discretion to enter into contracts for up to a 3-year period. In many cases, 2 years is not adequate to test fully and demonstrate a new advance in technology.

COLLEGE HOUSING

Section 1405 of the bill would amend title IV of the Housing Act of 1950 by adding to the existing college housing direct loan program a new program to provide additional Federal assistance for college housing and related facilities through a program of annual debt service grants. The new grant program would be used to reduce the borrower's annual debt service payments on private market loans to the average annual debt service that would have been required if the loan was based on the rate charged on loans under the direct loan program. This Federal rate is presently 3 percent. The combination of the direct loan program, supplemented by the maximum program level in authorized annual debt service grants, should provide Federal financial assistance for annual construction that is several times as large as the direct loan program alone.

This section would also add authority, under both the present loan program and the proposed new grant program, to assist educational

institutions to purchase existing properties which are in need of little or no rehabilitation. Under the present law loans are only available to finance new construction or the acquisition of and rehabilitation of existing properties.

Annual grants to an educational institution with respect to any project could be made over a fixed period up to 40 years. The total amount of annual grants contracted to be made would be subject to approval in appropriation acts, and could not exceed $10 million and this amount would be increased by an additional $10 million on July 1, 1969.

The committee has found that there is a need for vast increases in student housing to meet future enrollment increases; to alleviate overcrowding resulting from past enrollments; to make a dent on the deferred rehabilitation and replacement of inadequate existing housing; and to assure that no worthy student is denied admission because housing space is not available. It appears, however, that the majority of higher educational institutions, and especially the public institutions which cannot resist expansion without decreasing public education expectations, cannot provide housing at reasonable cost to most students if they have to bear the total cost of private market borrowing. The availability of adequate financial assistance will alleviate this problem and should generate effective action by colleges and universities which have been discouraged because direct Federal loans are meeting only a fraction of the demand. This problem has been aggravated because private market interest rates have increased substantially.

The lack of adequate housing may be the bottleneck in meeting our growing higher educational needs, since the relative expansion capacity of academic facilities cannot be fully utilized without available student housing at the lowest possible cost to users of the housing facilities. The combined program of direct loans plus annual grants should go far in helping to meet the need for student housing, dining facilities, student centers or unions, and related service facilities. The need may be even greater than anticipated when returning Vietnam veterans take advantage of their GI educational benefits.

The new program of annual grants, which would be made on the basis of the same maximum development cost as for direct loans, would be used primarily to reduce the net borrowing cost for those institutions which are able to secure long-term loans in the private market at a reasonable cost. Direct loans would generally be made to those institutions which cannot borrow all or part of their funds in the private market at reasonable interest rates. Thus, it is possible that an institution could receive a direct loan for part of its borrowing needs to cover late maturities on which no private market bids are made, and could receive annual grants applicable only to its private market loan for the shorter maturities. It is anticipated that the annual Federal grants to reduce net interest costs, coupled with the advantages inherent in the Federal tax exemption privilege enjoyed by public institutions, will enhance the security of these borrowers so that many which have not had favorable market acceptability in the past will be able to obtain long-term loans at lower net interest rates.

The new grant program is subject to the restriction now applicable to direct loans to the effect that the related "construction will be undertaken in an economical manner, and that it is not or will not be of elaborate or extravagant design or materials." This will preclude

financial assistance in the future, as it has in the past, for the minority of student housing which exceeds this limitation.

While the committee believes that this additional method of financing the college housing program will be very helpful, it further believes that colleges, when borrowing in the private market, should obtain loans at the lowest cost possible. The committee therefore expects the Secretary of HUD to promulgate such rules and regulations as are necessary to assure that colleges are obtaining loans at the lowest interest rates available so that the Federal subsidy will be held to a minimum.

HOUSING FOR THE ELDERLY

Section 1406 of the bill would amend section 202 of the Housing Act of 1959 to permit limited profit sponsors approved by the Secretary of Housing and Urban Development to participate in the housing for the elderly program and to provide that the amount of the loan to such a sponsor shall not exceed 90 percent of the development cost of the project. This section would also permit waiver of the wage standards provisions of the Davis-Bacon Act only when labor is donated without any compensation, instead of the present provision which permits such waiver when labor is donated without "full" compensation.

FEDERAL-STATE TRAINING PROGRAMS

Section 1407 of the bill would provide for extending the program of matching grants authorized under title VIII of the Housing Act of 1964 to permit grants to States for the training of subprofessional and technical personnel as well as professional persons and would permit persons employed or in training to be employed by private nonprofit organizations involved in housing and community development programs to be eligible for this training assistance. The programs which would be authorized for assistance under this amendment could be carried out by the State in cooperation with business firms, labor unions, and other interested organizations as well as universities and urban centers.

The amendment would also allow grant assistance to be extended to Guam, American Samoa, and the Trust Territory of the Pacific Islands in order to further meet the needs of these areas for trained and capable housing and community development technical and professional personnel.

These changes could enable the States to undertake training programs of a broader scope to deal with the ever-present problem of insufficient personnel available to administer and work in programs relating to community development and housing. With the added emphasis, set out in this bill, on attacking the problem in these areas confronting the Nation, all the personnel, for employment by both public and nonprofit bodies, that can be trained will be needed.

The capacity of all local administrative and professional resources, both public and private, will be challenged by the expected magnitude of the undertakings assisted under this bill, together with related development involving billions of dollars of additional investment in public facilities and private construction and improvements of all kinds. This makes extremely important the programs in the bill which provide in this field technical assistance to local governments and private groups and which provide assistance for local technical assistance or planning or the training of technical and professional personnel.

Local governments and the people in the communities involved must ultimately achieve the organizational and professional capacity to cope with the continuing progress of urban development in their areas. The Federal assistance mentioned above must concentrate on that objective.

ADDITIONAL ASSISTANT SECRETARY OF HOUSING AND URBAN DEVELOPMENT

Section 1408 of the bill would authorize the appointment of an additional Assistant Secretary in the Department of Housing and Urban Development. Although the Secretary could utilize this position in carrying out any of the statutory responsibilities of the Department, this Assistant Secretary would serve as the Secretary's principal assistant in providing leadership in organizing an effective, Government-wide, urban-oriented research and development program to foster innovation in the field of housing and urban affairs. He would also provide engineering and technical advice to the Office of the Secretary and to other assistant secretaries, as appropriate, and he would plan, organize, and administer the departmental research and development program.

The addition of this Assistant Secretary position in the Department's organization would be in accord with the increased importance of research and development in the Department since it was established in 1965.

INTERNATIONAL HOUSING

Section 1409 of the bill would rewrite section 604 of the Housing Act of 1957 to clarify the authority of the Secretary of HUD to exchange data relating to housing and urban development with other countries, or assemble such data where the data would be beneficial in carrying out his responsibilities. This authority does not exclude or limit in any way the authority of other departments and agencies of the U.S. Government to exchange and assemble data and carry out all other activities of the same type and in the same manner as authorized by this amendment.

The section would also clarify the Department's authority to employ private persons to participate in the various intergovernmental or international meetings that the Department attends or sponsors. In addition, the section would provide express authority for the Department to accept funds or other donations from international organizations, foreign countries, and private foundations in connection with activities carried on by the Department under section 604, and which benefit such organizations. For example, a conference sponsored by the Department may involve administrative expenses which should properly be shared by those private foundations which participate in such activities. The intent of the amendment is not to provide for subsidizing the Department's activities, but to facilitate proper cost sharing.

LOW-RENT PUBLIC HOUSING—CORPORATE STATUS

Section 1410 of the bill would repeal obsolete provisions of the U.S. Housing Act of 1937 and amend the Government Corporation Control Act to delete reference to the U.S. Housing Authority. When the U.S Housing Act of 1937 was first enacted, there was established a special corporation known as the U.S. Housing Authority to perform the

Federal low-rent housing functions. The Authority was capitalized with $1 million of capital stock provided by the Treasury. Under the Department of Housing and Urban Development Act, all functions of the corporation were vested in the Secretary of the Department. The corporate status, capital stock, and the $1 million provided by the Treasury now serve no purpose. This section would accordingly repeal the provisions concerning corporate status and return the $1 million to the Treasury. Saving provisions provide for continued auditing by the General Accounting Office of separate accounts maintained with respect to the functions under the 1937 act.

ELIGIBILITY FOR RENT SUPPLEMENT PAYMENTS

Section 1411 of the bill would extend eligibility to participate in the rent supplement program, under section 101 of the Housing and Urban Development Act of 1965, to two projects located in Harlem in New York City. These projects are presently receiving supplement payments on an experimental basis for a short fixed term as part of a joint undertaking by the Office of Economic Opportunity, the New York City Rent and Rehabilitation Administration, and the Department of Housing and Urban Development to show how a combination of improved housing, job training, and social services would work to increase the income producing capacity of low-income tenants living in the area. The projects (which were a single project at the time) were approved for mortgage insurance under the section 221(d)(3) below-market interest rate program on April 15, 1965, shortly before enactment of the Housing and Urban Development Act of 1965, on August 10, 1965, and therefore are presently ineligible for rent supplement assistance.

The projects involved are located on 114th Street between Seventh and Eighth Avenues, and include 37 old-law tenement buildings which are being extensively rehabilitated to provide good housing for approximately 1,600 individuals in 450 family units. The rehabilitation is expected to be completed on all units this June (1968).

Limitations in its statutory authority restrict the OEO supplement payments to a short term which will end in the early part of fiscal year 1970. These payments range from $20 to $60 a month.

Many of the low-income residents of these projects will not experience the improvement in income needed to dispense with rent supplement payments within the brief period permitted under the present supplement arrangement. Unless the benefits of the rent supplement program are applied to these projects, many of the low-income residents will be forced to move out when the present short-term assistance expires. The objective of the undertaking would be seriously impaired if regular rent supplement coverage is not made available after the short-term assistance ends.

The committee believes that these two projects are exceptional cases and understands that there are no similar cases which would need such specific treatment in the future.

CONSOLIDATIONS OF LOW-RENT PUBLIC HOUSING PROJECTS IN THE DISTRICT OF COLUMBIA

Section 1412 of the bill would allow the National Capital Housing Authority in Washington, D.C., to consolidate, pursuant to section 15(6) of the United States Housing Act of 1937, into its annual con-

tributions contract for its 8,423 units of low-rent housing under title II of the District of Columbia Alley Dwelling Act, the operating income and operating expense accounts for its 72 units of low-rent housing under title I of such act.

Title I governs low-rent public housing provided prior to the enactment of the United States Housing Act of 1937, whereas title II governs low-rent public housing on the same basis as projects established in other cities pursuant to the 1937 act.

The proposed consolidation would enable the NCHA to merge its title I operating accounts with its title II accounts. Since there is no capital debt applicable to the title I projects there would be no increase in the fixed annual contribution for which the Government is obligated under the annual contributions contract applicable to the title II projects.

This consolidation would allow the NCHA to draw upon its general reserves to meet the needs of the title I units. There are no reserves available to NCHA for these units because, under the previous method of funding this program, all receipts in excess of annual operating expenses were covered into the Treasury as miscellaneous receipts. Without such reserves, NCHA has to depend upon its annual operating income from these units to fund any major repairs or modernization work that the units might need. At the present time, the 72 title I units are in fact being managed and operated as part of the total low-rent housing supply of NCHA. The financial impact of consolidation would hardly be noticeable. Almost three-fourths of all the title I expenses are already in fact being determined in the same way as if the projects were consolidated, and consolidation would lead to substantial administrative savings resulting from the elimination of separate accounting procedures for these projects.

The result of the proposed consolidation would be analogous to the situation which exists in many other communities where the local authorities are operating permanent PWA or Lanham Act (World War II) projects which were federally built and paid for and which are being operated under consolidated contracts by the local authorities.

URBAN RENEWAL PROJECT IN GARDEN CITY, MICH.

Section 1413 of the bill would require that the costs in connection with the construction of the Florence Primary School located within the Cherry Hill urban renewal project (Michigan R–46) in Garden City be counted as a local grant-in-aid to the project without regard to the date of commencement of construction. Through an inadvertence on the part of both the city and the Federal Government, the contract for a loan and capital grant for the Cherry Hill project was authorized 4 days too late to qualify the school for credit. This fact was not discovered until the project was completed, and local and Federal officials had believed all along that the school was eligible for credit. The committee feels that this is a very exceptional case.

URBAN RENEWAL PROJECT IN SACRAMENTO, CALIF.

Section 1414 of the bill would require that costs in connection with the construction of a storm drainage system located within the Capitol Mall Riverfront urban renewal project (California R–67) in Sacra-

mento, Calif., be counted as a local grant-in-aid to the project without regard to the date of commencement of construction. The Redevelopment Agency of Sacramento filed a timely urban renewal application and under ordinary circumstances the expenditures made for the construction of the storm drainage system could have been counted as a local grant-in-aid. However, because of California's "proposition 14," the Department of HUD (then the Housing and Home Finance Agency) withheld approval of all California applications until proposition 14 was declared unconstitutional by the State supreme court. By the time this was done, the 3-year statutory requirement for counting this expenditure as a local grant-in-aid had expired. Since the approval of this particular application was held up by Federal officials, the committee believes that this is an exceptional case and that Sacramento should be allowed credit for the construction of the storm drainage system.

SELF-HELP STUDIES

Section 1415 of the bill would amend section 207 of the Housing Act of 1961, which authorizes grants for the purpose of developing and demonstrating new or improved means of providing housing for low-income persons and families, to make it clear that such grants may be made for the purpose of studying self-help by low-income persons in constructing, rehabilitating, and maintaining housing for themselves and the methods of selecting, involving, and directing such persons in self-help activities.

The Secretary of Housing and Urban Development would be directed to make a report to Congress, within 1 year after the date of enactment of this act, setting forth the results of the self-help studies and demonstrations carried out under section 207, together with such recommendations as he deems appropriate.

EARTHQUAKE STUDY

Section 1416 of the bill would amend section 5 of the Southeast Hurricane Disaster Relief Act of 1965 by extending the date the Secretary of HUD is required to report his findings and recommendations on earthquake insurance from October 31, 1968, to June 30, 1969.

An extension of time for this study would allow the Secretary to present a more complete and conclusive report to the Congress. In conducting studies such as this, it is necessary to collect and analyze great quantities of raw data and the number of qualified professionals available for such work is very limited.

AID TO THRIFT INSTITUTIONS

Section 1417 of the bill is directed toward modernizing and improving the savings and lending functions of savings and loan associations to enable them to more effectively accumulate savings and assist American families to meet their housing and related needs. This section does not represent any radical innovations in our financial systems but provides needed flexibility and modernization to the institutions which provide nearly 45 percent of the housing credit of the Nation. In this section, the savings instruments and terminology for Federal savings and loan associations would be revised in keeping with today's savings habits. At the same time the Federal Home Loan Bank Board is given

broader authority to insure prompt payment of withdrawals to savers. The present law regarding accumulation of savings was written over 30 years ago when the simple passbook savings account was virtually the only form of savings. Today, the savings public expects a wider variety of certificates, deposits, and savings instruments tailored to their specific needs.

Some additions would also be provided in the investment power of Federal associations and certain clarifications in existing law would be made. Federal associations would be authorized to make loans not exceeding $5,000 each, on seasonal homes and to finance the household equipment necessary to make today's home "livable." The cost of household equipment represents an increasing portion of total housing costs and the authority to finance this equipment will enable associations to offer a broader home financing service. Further, the section authorizes Federal associations to make loans on mobile homes. Currently, 200,000 mobile homes are produced each year and they constitute a great portion of the Nation's single family homes. Permitting Federal associations to finance these homes would make them available to a broader segment of the home-buying public.

FEDERAL HOME LOAN BANK ACT

Section 1418 of the bill amends section 12 of the Federal Home Loan Bank Act to permit Federal home loan banks, subject to the regulations of the Board, to invest in housing project loans or interests therein having the benefit of any guaranty under section 221 of the Foreign Assistance Act of 1961. The section also authorizes investments in loans or interests therein having the benefit of any guaranty under section 224 of the Foreign Assistance Act of 1961. The latter section relates to guaranties of loan investments in pilot or demonstration private housing projects, credit institutions furnishing home mortgage financing, lower income housing projects, and certain other housing investments in Latin America of types intended to foster the development of local capital-generating enterprises. This section is not intended to confer any investment authority on Federal savings and loan associations or any other members of Federal home loan banks that they would not have in the absence of this section.

TECHNICAL AMENDMENTS

Section 1419(a) of the bill would amend section 110(c) of the Housing Act of 1949 to make it clear that urban renewal project funds can be used for "the restoration of acquired properties of historical or architectural value."

Section 1419(b) would amend section 110(d) of the Housing Act of 1949 to make it clear that grant-in-aid credit can be given for expenditures by a public body for the construction of foundations and platforms on air rights sites in urban renewal projects to the same extent that such work could now be done with project funds.

Section 1419(c) would amend section 110(e) of the Housing Act of 1949 to make it clear that the restoration of historic properties can be carried out as an urban renewal project cost for those projects approved for three-fourths Federal grant assistance on a limited project cost basis. This clarification would naturally permit such expenditures to be included in existing, uncompleted projects, as well as those projects started after enactment of the bill.

Section 1419(d) would amend section 1101(c)(3) of the National Housing Act to permit amortization of the mortgage term under the medical group practice facilities program to commence after completion of construction of the facility rather than at the time the mortgage is executed.

Section 1419(e) would amend section 213(o) of the National Housing Act to clarify the authority of the Secretary to invest all moneys, not currently needed for the operation of the cooperative management housing insurance fund, in Government bonds or obligations, or in the purchase on the open market of debentures which are the obligation of this fund.

Section 1419(f) would amend section 810(e) of the National Housing Act to permit an individual, who is approved by the Secretary, to be a mortgagor under the FHA section 810 housing program for military personnel or employees or personnel of NASA or AEC research or development installations.

Section 1419(g) would amend section 220(d)(2)(B) of the National Housing Act to permit entities, other than corporations, restricted by Federal or State laws or regulations of State banking or insurance departments as to rents, charges, capital structure, rate of return, or methods of operation, to qualify for the same maximum mortgage amount as corporations so regulated now qualify for.

SECTION-BY-SECTION SUMMARY OF THE BILL AS REPORTED

The first section provides that the bill may be cited by its short title—the "Housing and Urban Development Act of 1968".

Section 2. Declaration of policy

In this section the Congress affirms the national housing goal—"a decent home and a suitable living environment for every American

family"—but finds that the goal has not been fully realized for many lower income families although the necessary resources and capabilities exist in the public and private sectors of the economy. The Congress declares that the highest priority and emphasis should be given to meeting, with full utilization of private enterprise and individual self-help, the housing needs of those families for which the national goal has not become a reality.

Section 3. Jobs in housing; employment opportunities for lower income persons in connection with assisted projects

This section requires the maximum feasible employment of lower income residents of the areas involved in connection with housing construction or rehabilitation assisted under the section 221(d)(3) below-market interest rate program, the low-rent public housing program, and the rent supplement program, and under the new section 235 and 236 programs added by the bill.

Section 4. Improved architectural design in government housing programs

In this section the Congress finds that Federal housing aids have not contributed fully to the objective of improvement in architectural standards, although better architectural design in federally-assisted housing is possible even within necessary budget limitations. The Congress declares that emphasis in low and moderate income housing programs should be given (consistent with prudent budgeting) to this objective.

TITLE I—LOW AND MODERATE INCOME HOUSING

Section 101. Homeownership for low and moderate income families

Subsection (a) adds to title II of the National Housing Act a new section 235, establishing for low and moderate income families a homeownership assistance program providing for periodic payments to mortgagees on behalf of homeowners where the mortgage involved is insured under subsection (i) or (j)(4) of the new section (or, in certain cases, is insured under the new section 237 added by section 102 of the bill), or on behalf of cooperative members in a new or rehabilitated project (or an existing project meeting standards prescribed by the Secretary) which is financed with a mortgage insured under section 213. Assistance payments under the new program are to be equal to the difference between the required monthly mortgage payment (including insurance and taxes) and 20 percent of the homeowner's monthly income (determined with a $200 deduction for each minor person in the family, and recertified at least every 2 years), or, if less, to the difference between the required monthly mortgage payment for principal, interest, and mortgage insurance premium and the monthly payment for principal and interest which would have been required if the mortgage bore interest at the rate of 1 percent. Assistance payments could be continued on resale (where the mortgage is insured under subsection (j)(4)) if the purchaser assumes the mortgage and is approved for such payments.

The aggregate amount of assistance payment contracts (which in any event is limited to such amount as may be approved in appropriation acts) could not initially exceed $75 million, which limit would be increased by $100 million on July 1, 1969, and by an additional $125

million on July 1, 1970. (A reasonable portion of this authority is to be transferred to the Secretary of Agriculture for use in rural areas and small towns.)

The new section 235 (in subsections (i) and (j)) establishes two new mortgage insurance programs. Under subsection (i), the Secretary of HUD is authorized to insure a mortgage, executed by a mortgagor eligible for periodic assistance payments, which satisfies the requirements of section 221(d)(2) or 234(c) and either involves a new or rehabilitated one-family dwelling, a rehabilitated two-family dwelling (if it will be occupied by the owner and is purchased with assistance from a nonprofit organization), or a one-family unit in a new or rehabilitated condominium project, or involves an existing dwelling or unit which meets standards prescribed by the Secretary or has previously been the subject of assistance payments with an insured mortgage under subsection (j)(4) or has been released from a rent supplement or section 236 project. Mortgage limits are $15,000 ($17,500 in high-cost areas), or $17,500 (and $20,000) for families of five or more. Minimum downpayment is $200 for a displaced family or 3 percent in other cases. As in the case of assistance payments to cooperative members, a preference is to be granted to displaced families, families with five or more minors, and families from low-rent public housing.

Under the new subsection (j), the Secretary is authorized to insure a mortgage executed by a nonprofit organization to finance the purchase (and rehabilitation if necessary) of housing for resale to low or moderate income families who are eligible for assistance payments. The housing must include four or more one-family dwellings (or two-family dwellings to be occupied by the owner), or four or more one-family units, in any case where rehabilitation is involved. Under subsection (j)(4) the Secretary is authorized to insure the individual mortgages given to finance the resale of the housing to low or moderate income persons after its purchase and the completion of any necessary rehabilitation. The Secretary is authorized to pay on behalf of the nonprofit mortgagor the difference between the required monthly payment for principal, interest, and mortgage insurance premium under the blanket mortgage and the monthly payment for principal and interest which would have been required if the mortgage bore interest at the rate of 1 percent.

Subsection (b) of section 101 of the bill makes conforming changes in the FHA section 221(d)(2) program, and permits a mortgagor under section 221(d)(2) or 235 to contribute the value of his labor toward his equity in the housing involved.

Subsection (c) amends the FHA section 221(h) program to allow the Secretary to reduce the interest rate thereunder to as low as 1 percent where the purchaser's low income justifies it, to increase the total amount of insurance which may be outstanding thereunder for mortgages of nonprofit organizations from $20 million to $50 million, and to establish a new program for the insurance of mortgages given to finance the rehabilitation or improvement of a single-family dwelling purchased by an owner-occupant from a nonprofit organization along with any existive indebtedness. Under this new program the maximum mortgage amount is $15,000, and the interest rate can be as low as 1 percent (but would increase to the highest possible section 221 rate if the owner sells the property to anyone except a nonprofit organization, a low-rent public housing agency, or another approved low-income purchaser).

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Subsection (d) amends section 212 of the National Housing Act to make FHA's labor standards provisions (the Davis-Bacon Act) applicable to housing financed with blanket mortgages under the new section 235(j) program.

Subsection (e) authorizes the Secretary (directly or by contract) to provide budget, debt management, and related counseling services to mortgagors whose mortgages are insured under subsection (i) or (j)(4) of the new section 235.

Section 102. Credit assistance

Subsection (a) adds to title II of the National Housing Act a new section 237, establishing a new mortgage insurance program for low and moderate income families who are not acceptable credit risks for purposes of regular FHA mortgage insurance, but who would be reasonably satisfactory credit risks with budget, debt management, and related counseling and appear to be able to achieve homeownership through the incentive of homeownership and such counseling services. The Secretary of HUD (directly or by contract) is authorized to provide such counseling services to mortgagors. The mortgage must generally meet the requirements of section 203, 220(d)(3), 221(d)(2), 221(h)(5), 221(i), 234(c), or 235(j)(4); and the maximum mortgage amount is $15,000 ($17,500 in high-cost areas). A preference is to be given to families living in public housing units. Not more than $100 million in mortgages insured under the program may be outstanding at any one time.

Subsection (b) amends section 226 of the act to require that the purchaser be furnished a copy of FHA's appraisal prior to the sale both under this new program and the new section 235 program.

Section 103. Relaxation of mortgage insurance requirements in certain urban neighborhoods

This section amends section 223 of the National Housing Act to permit insurance of mortgages financing the repair, rehabilitation, construction, or purchase of property in an older, declining urban area, where such mortgages do not meet all of the normal eligibility requirements for insurance because of the nature of the area. The property must be an acceptable risk giving consideration to the housing needs of low and moderate income families in the area. (A comparable provision in existing law which is more limited (sec. 203(l)) is repealed.)

Section 104. Special risk insurance fund

This section adds to title II of the National Housing Act a new section 238, establishing a Special Risk Insurance Fund out of which claims are to be paid on mortgages insured under the new programs provided by the bill (sec. 235, 236, and 237 of the act) and on mortgages insured pursuant to the new sections 223(e) and 233(a)(2) added by the bill. The new fund is not intended to be actuarially sound. Income derived under the new programs (such as insurance premiums and service charges) would be deposited in the fund. The Secretary of HUD is authorized to advance to the fund $5 million from the General Insurance Fund, and appropriations are authorized to cover any losses sustained by the fund in carrying out the mortgage insurance obligations of the programs involved.

Section 105. Condominium and cooperative ownership for low and moderate income families

Subsection (a) adds to section 221 of the National Housing Act two new subsections ((i) and (j)) to permit section 221(d)(3) below-market interest rate rental projects to be converted to condominium or cooperative ownership. The new subsection (i) permits the conversion of such a project to a plan of family unit ownership, and authorizes the Secretary of HUD to insure mortgages financing the purchase of the individual units by persons whose income is within the section 221(d)(3) limits at prices not exceeding the appraised value of the property involved; the interest rate would be determined by the Secretary, but could not be less than the below-market rate and would be increased to reflect increases in the mortgagor's income or upon the termination of the mortgagor's occupancy of the unit otherwise than through sale to an approved nonprofit purchaser or a low or moderate income purchaser whose income is within the section 221(d)(3) limits. The new subsection (j) permits the conversion of such a project to cooperative ownership, and authorizes the Secretary to insure mortgages financing the purchase of such projects by cooperatives whose membership consists of families whose incomes are within the limits prescribed for section 221(d)(3) below-market interest rate projects; the principal obligation of the mortgage could not exceed the appraised value of the property for continued use as a cooperative.

Subsections (b) and (c) amend section 221(g) of the act to make section 221's insurance payment provisions applicable to mortgages insured under the new programs.

Subsection (d) amends section 221(f) of the act to permit, with respect to mortgages insured under the new programs, the same discretionary full or partial waiver of the mortgage insurance premium as is presently provided for mortgages insured under section 221(d)(3) and (h).

Section 106. Assistance to nonprofit sponsors of low and moderate income housing

Subsection (a) authorizes the Secretary of HUD (directly or by contract) to provide information, advice, and technical assistance with respect to the construction, rehabilitation, and operation of low and moderate income housing by nonprofit organizations.

Subsection (b) authorizes the Secretary to make 80-percent interest-free loans to nonprofit organizations from a newly created revolving fund to cover certain specified preconstruction costs in connection with low and moderate income housing undertakings under federally assisted programs. Appropriations to the revolving fund are authorized in amounts not exceeding $7.5 million for the fiscal year 1969 and $10 million for the fiscal year 1970. Loans under the program would normally be repaid when the project involved is permanently financed, but the Secretary is authorized to cancel any part of such a loan which cannot be recovered from the proceeds of the permanent financing.

Section 107. National Homeownership Foundation

Subsection (a) creates a Government-chartered nonprofit private corporation known as the National Homeownership Foundation to carry out a continuing program of encouraging private and public

organizations at all levels to provide increased homeownership and housing opportunities in urban and rural areas for lower income families.

Subsection (b) provides for the administration of the foundation by a board of directors consisting of 18 members; 15 are to be appointed by the President, and the other three are the Secretary of HUD, the Secretary of Agriculture, and the Director of OEO. The board will appoint an executive director as the foundation's executive officer.

Subsection (c) directs the foundation to assist public and private organizations in initiating, developing, and conducting programs to expand homeownership and housing opportunities for lower income families.

Subsection (d) authorizes the foundation to make grants and loans to public and private organizations carrying out homeownership and housing opportunity programs for lower income families to help defray organizational and administrative expenses, pay for certain necessary preconstruction costs, and pay for the cost of programs providing counseling or similar services to lower income families for whom housing is being provided. To be eligible for a grant or loan the organization must show that the funds requested are not otherwise available from Federal sources.

Subsection (e) directs the foundation to coordinate its activities and consult with the Department of HUD and other Federal agencies.

Subsection (f) directs the foundation to submit an annual report to the President and the Congress.

Subsection (g) provides for a GAO audit of the foundation's financial transactions.

Subsection (h) provides for the deposit of the foundation's funds in financing institutions actively engaged in housing activities for lower income families.

Subsection (i) authorizes the appropriation to the foundation of $10 million to carry out its activities. (The foundation is authorized in subsection (a)(6) to receive donations and grants from individuals and from public and private organizations, foundations, and agencies.)

Section 108. New technologies in the development of housing for lower income families

Subsection (a) directs the Secretary of HUD to institute a program under which qualified public and private organizations will submit plans for the development of housing for lower income families, using new and advanced technologies, on Federal land made available for that purpose or other land which is suitable.

Subsection (b) directs the Secretary to approve up to five plans utilizing new housing technologies which are submitted to him under the program, considering (among other things) the potential of the technology employed and the ability of the organization submitting the plan to produce at least 1,000 dwelling units a year utilizing that technology.

Subsection (c) directs the Secretary to seek to achieve the construction of at least 1,000 dwelling units a year over a 5-year period for each of the various types of technologies proposed in the plans approved.

Subsection (d) authorizes the transfer to the Secretary of certain Federal land which is excess property for use in carrying out the program.

Subsection (e) directs the Secretary to report at the earliest practicable date with respect to projects assisted under the program, together with his recommendations.

Subsection (f) amends section 233(a) of the National Housing Act to authorize FHA insurance of mortgages covering projects carried out under the new program, with the same benefits (e.g., interest subsidies) as they would have under the basic section of the act pursuant to which they are insured.

Section 109. Insurance protection for homeowners

This section authorizes the Secretary of HUD (in cooperation with the private insurance industry) to develop a plan for the establishment of an insurance program to help homeowners in meeting mortgage payments in times of personal economic adversity, and directs him to submit to the Congress within 6 months (after consulting with other Federal agencies and instrumentalities which insure or guarantee home mortgages) a report thereon together with his recommendations.

TITLE II—RENTAL HOUSING FOR LOW AND MODERATE INCOME FAMILIES

Part A—Private Housing

Section 201. Rental and cooperative housing for low and moderate income families

Subsection (a) adds to title II of the National Housing Act a new section 236, establishing for low and moderate income families a rental and cooperative housing assistance program, under which periodic payments will be made to the mortgagee to reduce the interest costs which the owner of a rental or cooperative project must pay from what is actually required for principal, interest, and mortgage insurance premiums under the mortgage covering the project to what would be required for principal and interest if the mortgage bore interest at the rate of 1 percent. The mortgage must be insured under subsection (j) of the new section (except that certain projects which are owned by private nonprofit entities, limited-dividend entities, or cooperative housing corporations and are financed through State or local assistance programs may also be approved, prior to the completion of construction or substantial rehabilitation, for interest reduction payments under the new section). Each tenant or cooperative member would pay either a basic rental charge (determined on the basis of operating the project with a 1-percent mortgage) or such greater amount as represented 20 percent of his income (but not in excess of the fair market rental charge). Any amounts collected in excess of the basic rental charge would be returned to the Secretary and placed in a revolving fund for use in making other interest reduction payments. Tenant incomes would be reviewed at least every 2 years.

The aggregate amount of interest reduction payment contracts (which in any event is limited to such amount as may be approved in appropriation acts) could not initially exceed $75 million, which limit would be increased by $100 million on July 1, 1969, and by an additional $125 million on July 1, 1970. (A reasonable portion of this authority is to be transferred to the Secretary of Agriculture for use in rural areas and small towns.)

Under subsection (j) of the new section 236, the Secretary of HUD is authorized to insure a mortgage of the type (and subject in general to the conditions) provided for under FHA's section 221(d)(3) program, executed by a nonprofit organization, a cooperative, or a limited dividend entity and covering a project with five or more dwelling units which is designed for use by low and moderate income families or by elderly or handicapped families. The project must be predominantly residential but may include nondwelling facilities approved by the Secretary; and the individual units may (with the Secretary's approval) be sold to low and moderate income or elderly or handicapped purchasers.

Subsection (b) of section 201 of the bill amends sections 212 and 227 of the National Housing Act to make FHA's labor standards provisions (Davis-Bacon) and cost certification provisions applicable to projects financed with mortgages insured under the new section 236 program.

Subsection (c) authorizes the Secretary to transfer to the new section 236(j) insurance program any below-market interest rate mortgage approved but not finally endorsed under FHA's section 221(d)(3) program.

Subsection (d) authorizes the Secretary to insure, under the new section 236(j) program, at any time up to or within a reasonable period after project completion, any mortgage given to refinance a loan made under section 202 of the Housing Act of 1959 (the program of direct loans for housing for the elderly).

Subsection (e) makes conforming changes in the rent supplement program (section 101 of the Housing and Urban Development Act of 1965), reducing from 25 to 20 percent the portion of a tenant's income to be supplemented by payments thereunder and authorizing rent supplement payments for tenants in a section 236 project (up to 20 percent of the units in any one project).

Subsection (f) amends section 207 of the Appalachian Regional Development Act of 1965 to reflect the new section 236 program.

Subsection (g) amends section 305(i) of the National Housing Act to authorize the purchase of section 236 construction loans (as well as the section 236(j) mortgages themselves) under FNMA's special assistance functions.

Section 202. Rent supplement program

Subsection (a) amends section 101(a) of the Housing and Urban Developing Act of 1965 to increase the contract authority available for the rent supplement program by $40 million beginning with the fiscal year 1970 and by an additional $100 million beginning with the fiscal year 1971.

Subsection (b) amends section 101(b) of the 1965 act to make rent supplement payments available to private nonprofit entities, limited dividend entities, and cooperative housing corporations which own certain rental or cooperative housing projects financed with assistance under a State or local program and which are approved for rent supplement purposes prior to the completion of the construction or rehabilitation involved.

Part B—Low-Rent Public Housing

Section 203. Increased low-rent public housing authorization

Subsection (a) amends section 10(e) of the United States Housing Act of 1937 to increase the authorization for annual contribution contracts under the low-rent public housing program by $100 million on the date of enactment of the bill, and by an additional $150 million on July 1 in each of the years 1969 and 1970.

Subsection (b) amends section 20 of the 1937 act to modify the method of computing HUD's use of borrowing authority under the public housing program, including a provision allowing the President to increase the present $1.5 billion limit on such authority.

Section 204. Upgrading management and services in public housing projects

This section amends section 15 of the United States Housing Act of 1937 to authorize the Secretary of HUD to enter into grant contracts with local housing authorities to assist them in upgrading their management activities and providing tenant services to families living in low-rent housing projects, with a preference for programs providing for maximum tenant participation in the development and operation of such tenant services. Tenant services include (without being limited to) counseling on household matters, advice as to resources for community services, intertenant activities, and referral to appropriate agencies for services, with existing public and private agencies to be used for the provision of such services to the maximum extent available and appropriate. Appropriations of $20 million for the fiscal year 1969 and $40 million for the fiscal year 1970 are authorized.

Section 205. Purchase of units by tenants

This section amends section 15(9) of the U.S. Housing Act of 1937 to permit a local housing authority to sell any low-rent housing unit to a tenant if such unit is suitable for individual ownership. (Under existing law tenants may purchase only units which are detached or semidetached.)

Section 206. Public housing in Indian areas

This section amends sections 1 and 10(a) of the U.S. Housing Act of 1937 to permit public housing assistance for Indian families who live on or adjacent to their farmland.

Section 207. Limitation on high-rise structures in low-rent public housing projects

This section amends section 15 of the U.S. Housing Act of 1937 to provide that, except in the case of housing predominantly for the elderly, the Secretary is not to approve high-rise elevator proje ts for families with children unless there is no practical alternative.

Section 208. Prohibition against certain limitations on types or categories of low-rent housing in private accommodations

This section amends section 23(d) of the U.S. Housing Act of 1937 to prohibit the Secretary from prescribing by regulation any limitations on section 23 low-rent housing in private accommodations, other that the limitations specifically provided for in section 23, that would prevent any types or categories of structures in an area from qualifying for use under the section 23 program.

Section 209. Limitation on number of units of low-rent housing in private accommodations per structure

This section amends section 23(c) of the U.S. Housing Act of 1937 to clarify the authority of local housing authorities to lease units in smaller structures for low-rent housing in private accommodations without having to waive the present rule that leased units in any structure may not exceed 10 percent of the total. Under the new rule, the maximum number of leased units in any structure would be the lesser of (i) 10 units or 10 percent of the units in the structure (whichever is greater), or (ii) 50 percent of the units in the structure.

Section 210. Sale to tenants of low-rent housing in private accommodations

This section amends section 23 of the U.S. Housing Act of 1937 to authorize a local housing authority to purchase a structure containing low-rent housing in private accommodations for the purpose of reselling the structure to the tenant or tenants, or to a group of tenants occupying units aggregating in value at least 80 percent of the structure's value, on such terms and conditions as may be necessary to enable the tenants involved to make the purchase without undue financial hardship. Housing purchased by the local agency under this provision would not be subject to the workable program requirement or certain other requirements otherwise generally applicable to low-rent housing.

Section 211. Additional subsidy for large families and families of unusually low income

This section amends sections 2(2) and 10(a) of the U.S. Housing Act of 1937 to provide an additional annual $120 subsidy for large families (i.e., families with four or more minors) and for families of unusually low income (i.e., families whose incomes are so low that they could not be housed without the additional subsidy). Such an additional subsidy is presently provided only for the elderly and the displaced.

TITLE III—FEDERAL HOUSING ADMINISTRATION INSURANCE OPERATIONS

Section 301. Mortgage insurance premiums for servicemen and their widows

This section amends section 222 of the National Housing Act to permit the transfer to that section of mortgage insurance covering a single-family dwelling, or a one-family unit in a condominium project, where the mortgage has been assumed by a serviceman, so that the mortgage insurance premiums can be paid by the Secretary of Defense (or the Secretary of Transportation) in accordance with the existing provisions of that section. It also provides that the payment of these premiums is to continue on behalf of the serviceman's widow, when he dies on active duty, for 2 years beyond the date of his death or until the date the widow disposes of the property, whichever occurs first.

Section 302. Modifications in terms of insured mortgages covering multifamily projects

This section adds to title II of the National Housing Act a new section 239, providing that the Secretary of HUD may consent to any extension or modification of an insured mortgage covering multifamily housing only under and in conformity with regulations prescribed

by him. Such regulations must provide that during the period of any such extension or modification the mortgagor will be required to place in trust any income from the project in excess of its operating needs, subject to criminal penalties; except that the Secretary may consent to an extension or modification of a mortgage without regard to this requirement if he determines that it would not jeopardize the interests of the United States.

Section 303. Condominiums

Subsection (a) amends section 234(c) of the National Housing Act to authorize FHA insurance for individual units in a 2-to-11-unit condominium project without requiring that the project be first covered by an FHA project mortgage.

Subsection (b) amends section 234(c) of the act to decrease from 25 to 20 percent the portion of the value of a unit in a condominium project in excess of $20,000 which must be included in the down-payment (thereby conforming the condominium formula to the regular section 203(b) program).

Subsection (c) amends section 234(f) of the act to permit insurance of a condominium project mortgage covering four or more units (instead of five or more as at present.)

Section 304. Insurance of loans for purchase of fee simple title from lessors

Subsection (a) adds to title II of the National Housing Act a new section 240, authorizing the Secretary of HUD to insure a loan made to a homeowner to finance the purchase of fee simple title to property on which his one-, two-, three-, or four-family home is located, in cases where the homeowner has only a leasehold interest in the land. An insurable loan could not exceed $10,000 per family unit and (when added to any outstanding indebtedness) could not create a total indebtedness in excess of the applicable section 203(b) limit.

Subsection (b) amends section 5(c) of the Home Owners' Loan Act of 1933 to permit savings and loan associations to invest in loans insured under the new section 240 program.

Section 305. Extension of section 221(d)(2) sales housing program for two-, three-, and four-family residences to all low and moderate income families

This section amends section 221(d)(2) of the National Housing Act to authorize FHA insurance for mortgages secured by two-, three-, and four-family properties occupied by the owner for all low and moderate income families. (Under existing law section 221(d)(2) mortgage insurance is available on properties of these types only where the mortgagor occupying one of the units is a displaced family.)

Section 306. Removal of dividend restriction for nondwelling facilities in section 221 projects

This section amends section 221(f) of the National Housing Act to remove the requirement that the mortgagor of a section 221 multi-family market-rate project in an urban renewal area must waive dividends on its equity investment in any nondwelling facilities which are designed to serve nonresidents of the project.

Section 307. Supplemental loan program for projects financed with Federal Housing Administration insured mortgages

This section adds to title II of the National Housing Act a new section 241, authorizing FHA insurance of supplemental loans to finance improvements and additions to FHA-insured multifamily projects, including nursing homes and group practice facilities and their equipment. Such a loan could not exceed 90 percent of the estimated value of the required improvements, additions, and equipment, and could not, when added to the outstanding balance of the project mortgage, exceed the maximum mortgage amount permitted under the section or title pursuant to which the original mortgage was insured. Any such loan would be governed by the labor standards provisions (under sec. 212 of the National Housing Act) applicable to the section or title pursuant to which the original mortgage was insured.

Section 308. Home improvement loans—increase in maximum maturity, finance charge, and loan amount

This section amends section 2(b) of the National Housing Act to increase the maximum loan amount under FHA's home improvement loan program from $3,500 to $5,000, and to increase the maximum maturity of loans under such program from 5 years and 32 days to 7 years and 32 days. It also increases the maximum permissible financing charge on the first $2,500 of such a loan from $5 to $5.50 discount per $100 of the original face amount of the loan, and on the remainder of such a loan from $4 to $4.50 discount per $100 of the original face amount.

Section 309. Experimental housing program

This section amends section 233 of the National Housing Act to make FHA's experimental housing program available for use in connection with all FHA programs, thus including the programs of mortgage insurance for land development (title X) and group practice facilities (title XI) as well as the presently covered programs under title II of the act.

Section 310. Term of Federal Housing Administration mortgages for land development

This section amends section 1002(d)(1) of the National Housing Act to increase from 7 to 10 years the maximum maturity of an insured land development mortgage. (As under existing law, maturities longer than the specified maximum are permitted for certain water or sewerage systems and new communities.)

Section 311. Rehabilitated multifamily projects in urban renewal areas

This section amends sections 220(d)(3)(B) and 221(d)(3)(iii) of the National Housing Act to permit FHA insurance thereunder of mortgages covering the purchase of multifamily properties in urban renewal areas where the properties have been rehabilitated by local public agencies. (Under existing law, such insurance is available only in connection with projects which are newly constructed or substantially rehabilitated after FHA's commitment to insure is issued.)

Section 312. Miscellaneous housing insurance

Subsection (a) makes several amendments in section 223 of the National Housing Act to permit the insured refinancing of a mortgage insured under any provision of the National Housing Act as well as insurance of an FHA-insured mortgage assigned to the Secretary of HUD or executed in connection with the sale of property acquired under any provision of such act. (Under existing law, this authority is limited to specific sections which are enumerated in sec. 223.) It also permits payment of an insurance claim in cash rather than debentures in connection with a mortgage assigned to the Secretary or executed in connection with the sale of an acquired property.

Subsection (b) amends section 223(d) of the act to authorize the Secretary to insure a separate loan covering operating losses under a multifamily mortgage during the first 2 years, instead of adding such excess to the amount of the original mortgage itself as is presently provided.

Section 313. Supplementary loans for cooperative housing purchased from the Federal Government

This section amends section 213(j) of the National Housing Act to authorize FHA insurance of supplementary loans to housing cooperatives which purchased from the Federal Government wartime housing partly covered by an uninsured mortgage. Such loans would be subject to the regular section 213(j) supplementary loan limitations, with a maximum maturity in any case of up to 10 years beyond the remaining term of the uninsured mortgage where the loan is for major rehabilitation or modernization and the mortgage is more than 20 years old.

Section 314. Equipment in nursing homes

This section amends section 232 of the National Housing Act to permit the cost of major equipment used in the operation of a nursing home to be included in an FHA-insured nursing home mortgage.

Section 315. Flexible interest rates for certain FHA insurance programs

This section amends section 3(a) of public law 90–301 (approved May 7, 1968) to make interest rates under the new programs added by the bill subject to the flexible interest rate provisions of that law, which by its terms already applies to all of the FHA insurance programs in existence on the date of its enactment.

Section 316. FHA section 221(h) program

Subsection (a) amends section 221(h)(2)(A) of the National Housing Act to decrease from five to four the minimum number of units in an insurable section 221(h) project, and to permit section 221(h) insurance of housing consisting of units in a condominium structure.

Subsection (b) amends section 221(h) of the act by adding two new paragraphs which provide that the term "single-family dwelling" (for purposes of both the existing section 221(h) program and the new program established in section 221(h)(6) by section 101(c) of the bill) shall include a unit in a condominium structure, and a two-family dwelling which has been approved by the Secretary if one of the units is to be occupied by the owner.

Section 317. Housing in outlying areas

This section amends section 203(i) of the National Housing Act (FHA's program of mortgage insurance for residential housing in

outlying areas) to increase from $12,500 to $15,000 the maximum amount of a mortgage insurable under that section.

TITLE IV—URBAN RENEWAL

Section 401. Neighborhood development programs

Subsections (a) and (b) add to title I of the Housing Act of 1949 a new part B to authorize the Secretary of Housing and Urban Development to provide financial assistance to local public agencies to assist them in carrying out neighborhood development programs, consisting of urban renewal project undertakings and activities in one or more urban renewal areas that are planned and carried out on the basis of annual increments. In general, the requirements governing these undertakings and activities are the same as those governing assistance for regular urban renewal projects under title I of the 1949 act (with a workable program being required at the time any annual increment is authorized); the principal differences are that the loan or grant contract for an annual increment of a neighborhood development program could cover activities in several contiguous or noncontiguous urban renewal areas, and the funding would be based on the amount of loan and grant funds needed to carry out the activities planned during a 12-month period in each of the urban renewal areas contained in the program. Local grants-in-aid are generally to be calculated as they are under the present urban renewal program, but the 3-year and 7-year limitations on their eligibility would be measured from the authorization of the first contract for financial assistance covering the area benefited by the credit under the program involved. Excess noncash grant-in-aid credits from a neighborhood development program could not be pooled with other urban renewal projects being carried out by the community, but excess grant-in-aid credits from regular projects could be pooled for the neighborhood development program.

Subsection (c) contains provisions to insure that neighborhood development programs can be planned and undertaken in the District of Columbia, if they meet the applicable requirements of the new part B, notwithstanding any contrary requirements or conditions in District of Columbia or Federal laws.

Section 402. Increased authorization

Subsection (a) amends section 103(b) of the Housing Act of 1949 to increase the amount of funds authorized for the urban renewal program by $1.4 billion on July 1, 1969.

Subsection (b) amends section 103(b) of such act to increase the amount of funds available for urban renewal projects in model city areas by $350 million.

Section 403. Rehabilitation grants

Subsection (a) amends section 115(a) of the Housing Act of 1949 to permit grants under that section for the rehabilitation of a homeowner's real property other than the dwelling structure itself.

Subsection (b) amends section 115(b) of the 1949 Act to increase the maximum rehabilitation grant for low-income homeowners from $1,500 to $3,000.

Subsection (c) amends section 115(a) of the 1949 Act to authorize rehabilitation grants (from regular urban renewal funds) for repairs

and improvements designed to make dwellings outside urban renewal and code enforcement areas conform to public standards for decent, safe, and sanitary housing; the area involved must contain a substantial number of structures in need of repairs or improvements, as certified by the local governing body.

Subsection (d) amends section 115 of the 1949 Act to authorize rehabilitation grants (from regular urban renewal funds) to low-income homeowners whose property is determined to be uninsurable after an inspection pursuant to a State FAIR plan to enable them to rehabilitate the property to the extent necessary to make it meet reasonable underwriting standards.

Section 404. Rehabilitation in urban renewal areas

This section amends section 110(c)(8) of the Housing Act of 1949 to remove the provision presently limiting (to the lesser of 100 units or 5 percent of the units in the urban renewal area) the number of residential units which a local urban renewal agency may acquire and rehabilitate.

Section 405. Disposition of property for low and moderate income housing

This section amends section 107(a) of the Housing Act of 1949 to permit land to be disposed of for both low and moderate income housing purposes, by lease as well as sale (and permits its disposition to mortgagors under the new secs. 235(j) and 236 programs, or to approved purchasers or lessees other than those specified as well as mortgagors under the sec. 221(h)(1) program) at a price consistent with its use for such purposes.

Section 406. Capital grants for low and moderate income housing in open land projects

This section amends section 103(a)(1) of the Housing Act of 1949 to permit capital grants to be made with respect to urban renewal open land projects (which now only qualify for loans) in an amount not to exceed two-thirds of the difference between the proceeds from any land disposed of at its value for low or moderate income housing (under sec. 107 of such act) and the proceeds which would have been realized if the land had been disposed of at its fair value without regard to the special provisions of section 107.

Section 407. Urban renewal loan contracts

This section amends section 102(c) of the Housing Act of 1949 to permit a local public agency to borrow funds to finance project undertakings on the private market at interest rates above the Federal lending rate set out in the agency's contract, with the difference being made up by a supplemental Federal grant.

Section 408. Project completion prior to disposition of certain property

This section amends section 106 (and sec. 110(f)) of the Housing Act of 1949 to permit the closing out of an urban renewal project in certain cases where 5 percent or less of the total acquired land remains to be disposed of and all other project activities are completed.

Section 409. Rehabilitation loans

Subsection (a) amends section 312(d) of the Housing Act of 1964 to authorize the appropriation of such sums as are necessary for the rehabilitation loan program. (Under present law the authorization is $100 million a year.)

Subsection (b) amends section 312(h) of the 1964 Act to extend the section 312 program from October 1, 1969, to June 30, 1973.

Subsection (c) amends section 312(a) of the 1964 Act to authorize rehabilitation loans in areas containing, as certified by the local governing body, a substantial number of structures in need of rehabilitation, in the case of property which is residential and owner-occupied. (Existing law restricts sec. 312 loans to urban renewal and code enforcement areas.) It also permits a loan made with respect to property in an urban renewal or code enforcement area, where improvement is required to make the property conform to code requirements or to carry out urban renewal plan objectives, to include an amount for the general improvement of the condition of the property.

Subsection (d) amends sections 312 of the 1964 Act to authorize rehabilitation loans to owners and tenants of property which is determined to be uninsurable, after an inspection pursuant to a State FAIR plan, to enable them to finance the rehabilitation required to make the property meet reasonable underwriting standards.

Section 410. Demolition grants

This section amends section 116 of the Housing Act of 1949 to specifically authorize grants, under the demolition grant program, for the demolition of rat harborages or potential rat harborages.

Section 411. Air rights sites in urban renewal areas

This section amends section 110(c) of the Housing Act of 1949 to permit the carrying out of air rights urban renewal projects and the construction of necessary foundations and platforms to provide educational facilities. Under present law, these activities may be assisted only when they are for low and moderate income housing or for industrial development where the area is not suitable for low and moderate income housing.

Section 412. Interim assistance for blighted areas

This section adds to title I of the Housing Act of 1949 a new section 118, authorizing the Secretary of HUD to enter into contracts to make grants (from regular urban renewal funds) in amounts up to $40 million a year to assist localities in alleviating harmful conditions in slum and blighted areas where urban renewal or code enforcement activities are planned, but some immediate action is needed until those activities can be begun.

Section 413. Low and moderate income housing in residential urban renewal areas

This section amends section 105(f) of the Housing Act of 1949 to provide that, of the total number of housing units provided in all of the approved urban renewal projects in any community which are to be redeveloped for predominantly residential uses and which receive Federal recognition after the date of the bill's enactment, a majority must be standard housing units for low and moderate income families or individuals with at least 20 percent of such total number being for low income families or individuals only.

Section 414. Workable program requirement in case of Indian tribes

This section amends section 101(c) of the Housing Act of 1949 to allow an additional period (until Jan. 1, 1969) for an Indian tribe, band, or nation to adopt and carry out a minimum standards housing code as a condition of the certification or recertification of its workable program.

TITLE V—URBAN PLANNING AND FACILITIES

Section 501. Comprehensive planning

This section extensively revises section 701 of the Housing Act of 1954—the urban planning assistance program. In addition to the numerous changes in form and arrangement which do not have substantive effect, the amended section 701 includes new provisions permitting grants for assistance to districts in rural and other nonmetropolitan areas, grants directly to Indian tribal planning councils, and grants to regional and district councils of government; includes in the stated purposes of the planning to be assisted the encouragement of the use of private consultants, and requires that such planning include a housing element as part of the preparation of comprehensive land use plans; authorizes grants to cities within metropolitan areas as part of comprehensive metropolitan planning; increases the 1969 authorization for planning assistance by $35 million ($20 million for district planning) and authorizes an additional $125 million ($10 million for district planning) commencing with the fiscal year 1970; permits up to $10 million, in addition to the present 5 percent, to be used for research activities; and provides that district planning may not be aimed at assisting businesses to relocate from one area to another.

Section 502. Planned areawide development

This section amends title II of the Demonstration Cities and Metropolitan Development Act of 1966 to broaden the metropolitan development provisions of that title (principally the provisions authorizing supplementary incentive grants for certain federally assisted projects) to cover planned "areawide" development so as to permit assistance for projects in all multijurisdictional areas (instead of only in metropolitan areas as at present). It also permits any amounts authorized but not appropriated under the program for any fiscal year to be appropriated for any succeeding fiscal year through the fiscal year 1970.

Section 503. Advance acquisition of land

This section extensively revises section 704 (and amends sec. 701) of the Housing and Urban Development Act of 1965—the program of grants for advance acquisition of land—to cover land which is planned to be utilized "in the future for public purposes" (instead of "in connection with the future construction of public works or facilities"); to require that the proposed use of the land be undertaken "within a reasonable time" (instead of within 5 years), except that any period beyond 5 years may only be approved in case of unusual circumstances and the chairmen of the House and Senate Banking and Currency Committees must be notified; to clarify the status of the land in the interim; to give the Secretary of HUD additional discretion with respect to diversion of the land from its proposed use; to provide that assistance under the program will not make a project ineligible for other Federal assistance; to clarify the authority of States to participate in the program; and to permit grants for imputed interest charges when borrowed funds are not used to acquire the land.

Section 504. Water and sewer facilities program

Subsection (a) amends section 702(c) of the Housing ind Urban Development Act of 1965 to extend from July 1, 1968, to October 1,

1969, the expiration date of the interim planning requirements provision in the basic water and sewer facilities program under title VII of such act.

Subsection (b) amends the proviso of section 702(b) of the 1965 Act to allow unincorporated areas to qualify for special water and sewer facility grants, and to make basic water facilities (as well as basic sewer facilities) eligible for such grants at the higher (90 percent) rate.

Subsection (c) amends section 702(d) of the 1965 Act to require that in the administration of the water and sewer facilities grant program, to the greatest extent practicable, new job opportunities be provided for unemployed or underemployed persons.

Section 505. Authorizations for the water and sewer facilities, neighborhood facilities, and advance acquisition of land programs

Subsection (a) amends section 708(b) of the Housing and Urban Development Act of 1965 to provide that any amounts authorized but not appropriated for any year under any of the three community facilities grant program in title VII of that act may be appropriated for any succeeding fiscal year through the fiscal year 1970 (instead of only through the fiscal year 1969 as in present law).

Subsection (b) amends section 708(a) of the 1965 Act to increase from $200 million to $500 million the amount authorized to be appropriated for the water and sewer facilities grant program (sec. 702 of such act) for the fiscal years 1968 and 1969.

Section 506. Open-space land program

This section amends section 702(b) of the Housing Act of 1961 to change the present $310 million contract authority under the open-space land program to a $310 million authorization of appropriations, and to authorize the appropriation of an additional $150 million for the program for the fiscal year 1970; the sublimitations on grants for beautification and certain land acquisitions are accordingly eliminated. It also amends section 708(b) of the 1961 Act to increase from $50,000 to $125,000 the amount of grant funds which may be used in any fiscal year for studies and the publishing of information.

Section 507. Authorization to make feasibility studies in the public works planning advances program

This section amends section 702(a) of the Housing Act of 1954 to clarify the authority of the Secretary of HUD to make advances for the conduct of feasibility studies under the public works planning advance program.

TITLE VI—URBAN MASS TRANSPORTATION

Section 601. Grant authorizations

Subsection (a) amends section 4(b) of the Urban Mass Transportation Act of 1964 to increase by $190 million for the fiscal year 1970 the amount authorized to be appropriated for the various activities under that act.

Subsection (b) amends section 6(c) of the 1964 act to increase by $6 million commencing July 1, 1968, the amount which may be made available for research, development, and demonstration projects, and to remove the statutory limits on the funds available for this purpose commencing July 1, 1969.

Section 602. Definition of mass transportation

This section amends section 12(c)(5) of the Urban Mass Transportation Act of 1964 to broaden the definition of mass transportation by substituting "general or special service * * * on a regular and continuing basis" for "service to the general public * * * over prescribed routes".

Section 603. Extension of emergency program under the Urban Mass Transportation Act

This section amends section 5 of the Urban Mass Transportation Act of 1964 to extend the emergency capital grant program from November 1, 1968, to October 1, 1969.

Section 604. Non-Federal share of net project cost

This section amends sections 4(a) and 5 of the Urban Mass Transportation Act of 1964 to provide that not more than half of the non-Federal share of a mass transportation project (or a project under the emergency program) will be paid from private sources, except in certain cases of demonstrated fiscal inability. Any public or private transit system funds provided toward the non-Federal share must be solely from undistributed cash surplus, cash replacement or depreciation funds or cash reserves, or new capital.

TITLE VII—SECONDARY MORTGAGE MARKET

Section 701. Purposes

This section states as the purpose of title VII the partition of the existing Federal National Mortgage Association into two separate and distinct corporations. One will be a Government-sponsored private corporation to be known as the Federal National Mortgage Association (FNMA); it will retain the assets and liabilities of the existing association which are accounted for under section 304 of the National Housing Act and will continue to conduct the secondary market operations authorized by that section. The other will remain within the Federal Government and be known as the Government National Mortgage Association (GNMA); it will retain the assets and liabilities of the existing association which are accounted for under sections 305 and 306 of the act and will continue to operate the special assistance functions and management and liquidating functions authorized by those sections.

Section 702. Amendments to the Federal National Mortgage Association Charter Act

This section extensively amends title III of the National Housing Act to carry out the purposes described in section 801. In addition to making the substantive and technical changes which are strictly necessary to carry out these purposes, and generally making the basic powers of the existing Association applicable to both of the new corporations, the section makes changes as follows:

Subsection (d) provides that the present restrictions against buying mortgages at prices in excess of par and mortgages offered or covering property held by State and local instrumentalities are to be applicable only to GNMA, and extends FNMA's purchase authority to include securities guaranteed by GNMA under section 306(g) of the act.

Subsection (i) changes the present $100-par-value nonvoting common stock to FNMA no-par-value voting stock, clarifies the free transferability of the common stock, repeals the provision for retirement of the common stock at par, eliminates the restriction that payments to retire the preferred stock must come entirely out of capital surplus and general surplus accounts, and provides that the preferred stock is to be retired as rapidly as possible after the effective date of the amendments.

Subsection (j) provides that fees and charges imposed by FNMA in its secondary market operations will be regarded as elements of pricing (and not necessarily as fees for services).

Subsection (k) allows FNMA to issue common stock in addition to the stock required in connection with its purchasing and lending activities; and it requires each servicer of mortgages for FNMA to own, at all times, FNMA common stock in a minimum amount not more than 2 percent of the outstanding principal balances of the FNMA mortgages being serviced (disregarding mortgages purchased by FNMA before the effective date). It also eliminates the provision limiting the return on the common stock to 5 percent of its par value, and adds a requirement that cash dividends shall not exceed a fair rate of return as determined by the Secretary.

Subsection (l) prohibits issuance of any preferred stock after the effective date.

Subsection (m) makes it clear that financial institutions may purchase FNMA stock in addition to their initial capital contributions.

Subsection (p) eliminates the prohibition against FNMA purchases of mortgages insured or guaranteed before August 2, 1954.

Subsection (q) allows FNMA's board of directors to fix its debt-to-capital ratio at a figure higher than the present limit of 15 times the sum of its capital, surplus, and reserves.

Subsection (r) eliminates the prohibition against FNMA borrowing from the Treasury after the retirement of its preferred stock.

Subsection (y) eliminates the present FNMA Board of Directors, vesting GNMA's powers and duties in the Secretary and providing a new 15-member Board of Directors for FNMA. One-third of the members of FNMA's Board of Directors will be appointed by the President of the United States (including one each from the home-building industry, the mortgage lending industry, and the real estate industry) and the other two-thirds will be elected by the stockholders, each member serving for a 1-year term.

Subsection (aa) allows GNMA to retain its tax exemptions; it makes FNMA subject to all Federal taxes but exempt from all other taxes except those on real property.

Subsection (bb) gives FNMA's Board of Directors the power to appoint and employ officers and employees without regard to the civil service laws, with present employees remaining subject to those laws so long as their employment is continuous. FNMA is to make specified payments into the civil service retirment and disability fund to cover costs attributable to its covered employees.

Subsection (cc) prohibits the use by others of GNMA's name as well as FNMA's name, and substitutes civil penalties for the present criminal sanctions imposed for violations of this prohibition.

Subsection (dd) extends to GNMA as well as FNMA the authority to use Federal Reserve banks as depositories, custodians, and fiscal

agents, and the authority to receive deposits and act as depository for others.

Subsection (ee) gives the Secretary of HUD general regulatory authority over FNMA, and permits him to require that a reasonable portion of FNMA's mortgage purchases be related to housing for low and moderate income families (but with reasonable economic return to FNMA); it also provides that FNMA may not issue stock or obligations without his approval, and authorizes him to examine and audit FNMA's books and transactions.

Subsection (ff) makes obligations of GNMA as well as of FNMA lawful investments, and exempts all stock, obligations, securities, and other instruments issued by either from regulation by the Securities and Exchange Commission.

Section 703. Participations

This section amends section 302(c)(5) of the National Housing Act to permit GNMA, in managing trusts created for sales of participation certificates, to issue such certificates for refinancing purposes without regard to the present requirement of appropriation act authority.

Section 704. Mortgage-backed securities

Subsection (a) amends section 304 of the National Housing Act to allow FNMA to issue and sell securities backed by a set-aside portion of its portfolio of mortgages.

Subsection (b) amends section 306 of the act to authorize GNMA to guarantee payment of principal and interest on any mortgage-backed securities issued by FNMA, and also on any similar securities issued by other approved private issuers so long as they are backed by mortgages or loans guaranteed or insured by FHA, VA, or the Farmers Home Administration and are set aside in a manner similar to that established by FNMA under section 304.

Section 705. Subordinated and convertible debentures

This section amends section 304 of the National Housing Act to allow FNMA to issue obligations which (in any manner set forth therein) are subordinated to its other obligations and may be converted into common stock. The total amount of such subordinated obligations outstanding at any time may not exceed twice FNMA's capital and surplus, but such obligations outstanding may be cont sidered part of FNMA's capital for purposes of determining the amoun- of its general obligations which may be outstanding.

Section 706. Special assistance authorization

This section amends section 305(c) of the National Housing Act to increase the authorization for purchases and commitments under FNMA's (now GNMA's) special assistance functions by $500 million on July 1, 1969.

Section 707. Amendments to other laws

This section makes numerous technical changes in other Federal laws to reflect the separation of the existing FNMA functions and the creation of the two new entities.

Section 708. Effective date

This section provides that the amendments made by title VII are to become effective on a date to be established by the Secretary of HUD, but within 120 days after the date of the bill's enactment.

Section 709. Savings provisions

This section preserves causes of action and legal proceedings existing or instituted by or against FNMA before the effective date so that they will not abate.

Section 710. Transitional provisions

This section sets forth transitional provisions governing FNMA's capital stock, and provides for a board of directors during the transitional period, which is to end at such time as one-third of the common stock is owned by persons or institutions in the mortgage lending, homebuilding, real estate, or related businesses, but in any event no sooner than May 1, 1970, or later than May 1, 1973. During this period the board is to consist of nine members, initially all appointed by the Secretary and subsequently partly appointed by him and partly elected by the stockholders. The President of FNMA during this period would be appointed by the President of the United States, by and with the advice and consent of the Senate, and would be removable for cause only. One of the Secretary's appointees to the board would have to be the president. Until all of its outstanding preferred stock has been retired, FNMA is to be considered a wholly owned Government corporation. FNMA's present officers and employees are to become officers and employees of GNMA on the effective date; thereafter FNMA and GNMA will provide methods whereby FNMA may hire GNMA's employees, and the Secretary is to seek to place unhired employees in comparable Federal positions. The two entities may provide by contract for the performance by either of any of the functions of the other.

TITLE VIII—NATIONAL HOUSING PARTNERSHIPS

Section 801. Statement of purpose

This section states the congressional finding that housing for low and moderate income families must be increased, and that one or more private organizations should be created to encourage maximum private investor participation to this end.

Section 802. Creation of corporations

This section authorizes the creation of a private corporation for profit (the "corporation"). It also authorizes the President to create one or more additional corporations to carry out the purposes of the title when he finds it in the national interest to do so.

Section 803. Process of organization

This section authorizes the President, by and with the advice and consent of the Senate, to appoint incorporators who will take such action as may be necessary or appropriate to establish the corporation, will serve as its initial board of directors, and will arrange for an initial stock offering.

Section 804. Directors

This section provides that the Corporation is to have a 15-member board of directors; three members are to be appointed by the President by and with the advice and consent of the Senate, to serve for 3-year terms, and the other 12 are to be elected by the stockholders.

Section 805. Financing the corporation

This section authorizes the corporation to issue shares of stock in such number and of such types as may be provided in its articles of incorporation.

Section 806. Purposes and powers of the corporation

This section authorizes the corporation to engage in specified activities appropriate to the provision of housing and related facilities primarily for low or moderate income persons, with or without the use of Federal programs. It also authorizes the corporation to enter into and participate in all forms of partnerships and associations, to conduct research and study projects, to provide technical assistance, and to provide financing assistance to other organizations in connection with its activities. The corporation is to have the usual powers conferred upon a stock corporation by the District of Columbia Business Corporation Act. Nothing in title VIII is to have the effect of waiving the Davis-Bacon Act or any other law requiring compliance with labor standards, to the extent that such act or law would otherwise apply.

Section 807. National housing partnership

This section authorizes the corporation to form a limited partnership (the "partnership") in which the corporation is the general partner and each of the corporation's stockholders may be limited partners. The partnership is authorized to conduct the same activities as those authorized for the corporation for the purpose of engaging in low and moderate income housing undertakings in particular localities. The partnership investment in any such undertaking may generally not exceed 25 percent of the initial equity investment.

Section 808. Report to Congress and records

This section directs the corporation to submit annual reports to the President for transmittal to the Congress, and requires that its accounts be audited annually by independent accountants.

Section 809. Antitrust laws

This section makes it clear that activities of the corporation, the partnership, and other participants in the title VIII program are subject to the Federal antitrust laws.

Section 810. Right to repeal, alter, or amend

This section reserves to the Congress the right to repeal, alter, or amend the title at any time.

Section 811. Amendment to banking laws

This section amends section 5136 of the Revised Statutes to permit national banks to invest in the corporation, the partnership, or any other entity formed under the title.

TITLE IX—RURAL HOUSING

Section 901. Housing for low and moderate income persons and families

This section adds to title V of the Housing Act of 1949 a new section 521, authorizing direct and insured loans to low and moderate income persons in rural areas (places with 5,500 population or less) and to cooperatives to provide rental or cooperative housing for low

or moderate income persons or families or elderly persons and families, where assistance is not available from other sources including the new section 235 and 236 programs added by the bill. Interest is to be at a rate (not less than 1 percent) set by the Secretary of Agriculture after considering the cost of money to the Treasury (for U.S. obligations of comparable maturities) and the payment ability of the applicants; and an interest supplement in such amount as may be necessary to market the insured loans will be paid from, and reimbursed by annual appropriations to, the rural housing insurance fund. Eligibility for these loans is broadened to include persons not previously residing in rural areas.

Section 902. Housing for rural trainees

This section adds to title V of the Housing Act of 1949 a new section 522, authorizing financial and technical assistance to provide housing and related facilities in rural areas for trainees (and their families) who are enrolled in federally assisted training courses to improve their employment capability, where such housing and facilities could not be reasonably provided in any other way. Sites would be selected only after a labor area survey and with full coordination among all Federal agencies having related responsibilities. The financial assistance would be in the form of advances, which (in the case of advances for land purchase) would be repayable with interest within periods not longer than 33 years or (in other cases) would be nonrepayable or repayable with or without interest, depending on the applicant's payment ability. Interest is to be at a rate (not less than 1 percent) set by the Secretary of Agriculture after considering the cost of money to the Treasury (for U.S. obligations of comparable maturities) and the payment ability of the applicants. The labor standards provisions of the Davis-Bacon Act are made applicable to housing and related facilities assisted under the program.

Section 903. Appropriations

This section amends section 513 of the Housing Act of 1949 to authorize appropriations to the Secretary of Agriculture for the cost of administering in rural areas the new section 235 and 236 programs added by the bill. (As indicated in the discussion of these new programs, a reasonable portion of the authority to enter into contracts thereunder is to be transferred to the Secretary of Agriculture for use in these areas.)

Section 904. Purchase of land for building sites

This section amends section 514(f)(2) of the Housing Act of 1949 to broaden the eligible purposes of domestic farm labor housing loans under section 514 to include the purchase of necessary land for building sites.

Section 905. Mutual and self-help housing

This section adds to title V of the Housing Act of 1949 a new section 523, authorizing the Secretary of Agriculture to make grants to (or enter into contracts with) public or private nonprofit organizations to pay part or all of the cost of developing programs to carry out mutual or self-help housing efforts and to coordinate necessary technical and supervisory assistance. The Secretary is also authorized to make loans

to needy low-income individuals who participate in these programs for the acquisition and development of land and the purchase of necessary materials; the loans would bear interest at not more than 3 percent and have terms of not more than 33 years. Appropriations of up to $5 million a year are authorized, and no commitment can be entered into after June 30, 1973.

TITLE X—URBAN PROPERTY PROTECTION AND REINSURANCE

Section 1001. Short title

This section provides that title X of the bill may be cited by its short title—the "Urban Property Protection and Reinsurance Act of 1968."

Section 1002. Findings and declaration of purpose

Subsection (a) sets forth a finding by the Congress that the unavailability of property insurance in inner city areas is accelerating the deterioration and threatening the economic well-being of cities. and that the unavailability of riot loss reinsurance makes adequate property insurance even more difficult to obtain.

Subsection (b) states that the purpose of title X is to encourage the development of statewide programs to increase the availability of property insurance, and to provide Federal reinsurance with appropriate State sharing in reinsured riot losses.

Section 1003. Amendment of the National Housing Act

This section adds to the National Housing Act a new title XII, establishing the national insurance development program.

TITLE XII—NATIONAL INSURANCE DEVELOPMENT PROGRAM

Section 1201. Program authority

Authorizes the Secretary to establish and carry out the programs provided for in the title, and provides that the powers of the Secretary will terminate on April 30, 1973, except to the extent necessary to continue reinsurance until April 30, 1976, and to complete liquidation in accordance with a plan approved by Congress.

Section 1202. Advisory board; meetings, duties, compensation, and expenses

Establishes a 19-member advisory board appointed by the Secretary, who would also designate the Chairman and Vice Chairman, to represent the general public, the insurance industry, State and local governments, and the Federal Government. No more than six members of the Board would be from the Federal Government, no less than four would be representatives of the private insurance industry, and no less that four would be representatives of State insurance authorities. The Board would review general policies, advise the Secretary, and perform other functions specified in the title.

Section 1203. Definitions

Contains the basic definitions of terms used in the title, among which are included "environmental hazard," "essential property insurance," "inspection facility," "insurer," "pool," "losses resulting from riots or civil disorders," "standard line of property insurance," and "urban area," and gives the Secretary authority to define any technical or trade term.

Part A—Statewide Plans To Assure Fair Access to Insurance Requirements

Section 1211. FAIR plans

Requires every insurer reinsured under the title to cooperate with the State insurance authority in each State in which it acquires reinsurance, in establishing and carrying out statewide plans to assure fair access to insurance requirements (FAIR plans). These plans, which must be approved by the State insurance authority or authorized by State law, are designed to make essential property insurance more readily available in, but not limited to, urban areas. Plans may vary among the States, but all plans must satisfy minimum criteria; the principal requirement is that no risk can be written at a surcharged rate or denied coverage unless there has been an inspection of the risk and a determination made that it does not meet reasonable underwriting standards at the applicable premium rate.

Section 1212. All-industry placement facility

Requires all FAIR plans to include an all-industry placement facility, doing business with all participating insurers, to help agents and brokers to place insurance up to the full insurable value of a property, except to the extent that deductibles, percentage participations, and other underwriting devices are employed to meet special problems of insurability.

Section 1213. Industry cooperation

Requires every participating insurer to pledge with the State insurance authority its full participation and cooperation in carrying out the plan and to file copies of this statement with the Secretary.

Section 1214. Plan evaluation

Provides for transmission of copies of plans and amendments by State insurance authorities to the Secretary and for these authorities to advise the Secretary with regard to the operation of the plan and the need to form a pool or to adopt other programs to make essential property insurance more readily available in urban areas of the State. The Secretary would be authorized to modify the plan criteria set out in this part A and, under certain conditions, to waive compliance with one or more of the plan criteria.

Part B—Reinsurance Coverage

Section 1221. Reinsurance of losses from riots or civil disorders

Authorizes the Secretary to offer riot or civil disorder property loss reinsurance to any insurer or pool of insurers in any one or more States. Insurers desiring coverage must purchase reinsurance on fire and extended coverage, vandalism and malicious mischief, other allied lines of fire insurance, burglary and theft, and those portions of multiple peril policies covering similar perils, and an insurer or pool having acquired reinsurance on these lines will be eligible to purchase reinsurance on other individual standard lines of property insurance. Reinsurance may be provided immediately upon enactment of the title under binders which will expire at the end of a 90-day period or upon the effective date of a reinsurance contract between an insurer

and the Secretary, whichever is earlier, but no reinsurance may be offered in a State after the expiration of the binder unless the insurer is participating in that State's plan and in such pool as may have been established under State law.

Section 1222. Reinsurance agreements and premiums

Authorizes the Secretary, during the first year after enactment of the title, to provide reinsurance at premium rates adequate to provide premiums which will exceed in aggregate amount the insured riot losses in 1967, and provides that thereafter the Secretary may adjust reinsurance premium rates as may be necessary or appropriate after consultation with the Board and with the National Association of Insurance Commissioners. Reinsurance offered under this title is to reimburse an insurer for its total proved and approved claims for losses resulting from riots or civil disorders exceeding the amount of the insurer's retention as provided by contract. The Secretary is authorized to enter into such contracts and agreements without regard to section 3679 of the Revised Statutes, and the premium rates, terms, and conditions of reinsurance contracts are to be uniform throughout the country.

Section 1223. Conditions of reinsurance

Provides the conditions under which the Secretary will terminate existing reinsurance coverage and will not offer new coverage for insurance written after the termination date. The first condition concerns the failure of the State to provide for the assumption, within 1 year or by the close of its next regular legislative session, of a share of the reinsured losses in the State, up to 5 percent of the property insurance premiums earned in the State during the preceding year on lines reinsured in the State. The State would be required to reimburse the Secretary for reinsured losses in a calendar year which exceed the total reinsurance premiums received in that State during the year plus reinsurance premiums received (less reinsured losses paid by the Secretary) since the end of the most recent year in which the State had reimbursed the Secretary for reinsured losses. The second condition concerns the failure of the State or the insurance industry in a State to adopt programs, in addition to FAIR plans, required to make essential property insurance more readily available without regard to environmental hazards. This condition would not become effective until 2 years after the effective date of the title, or at such earlier date as the Secretary, in consultation with the State insurance authority, may determine. A third condition concerns the failure of an insurer to participate fully in the State plan, pool, or other existing program which aids in making essential property insurance more readily available. Additional conditions relate to the effect of merger, consolidation, or reorganization, and to the voluntary cancellation of reinsurance by the insurer or pool in the State. Reinsurance may be continued for the term of policies written prior to the date of termination or nonrenewal so long as reinsurance premiums are paid.

Section 1224. Recovery of premiums; statute of limitations

Authorizes the Secretary to recover any unpaid premiums for reinsurance; imposes a 5-year statute of limitations on the recovery by an insurer of excess premiums paid to the Secretary or the recovery by the Secretary of reinsurance premiums due; and provides that if an insurer has filed false documents with the intent to evade the payment of premiums, the claim shall not be deemed to have accrued until discovery of the deception by the Secretary.

Part C—Provisions of General Applicability

Section 1231. Claims and judicial review

Authorizes the Secretary to adjust and pay claims for proved and approved losses, allows a claimant to institute an action in the U.S. district court within 1 year after receipt of notice of disallowance of a claim, and grants jurisdiction of such actions to the district court without regard to the amount in controversy.

Section 1232. Fiscal intermediaries and servicing agents

Authorizes the Secretary to contract with any insurer, pool, or other person or organization for estimating or determining reinsurance claim payment amounts, receiving, disbursing, and accounting for reinsurance claims payments, auditing insurer's records to assure proper payments, establishing the basis of reinsurance liability, and otherwise assisting in carrying out the purposes of the title.

Section 1233. National insurance development fund

Provides for the establishment of a National Insurance Development Fund to be available without fiscal year limitation to pay reinsurance claims, to pay administrative expenses, and to repay with interest amounts borrowed under section 520(b) of the National Housing Act. Reinsurance premiums, appropriated funds, interest on investments, general receipts, and borrowed funds are to be deposited in this fund.

Section 1234. Records, annual statement, and audits

Requires reinsured insurers to furnish the Secretary with such data as may be necessary in carrying out the program and directs the Secretary to make use of State insurance authority examination reports and facilities to the maximum extent feasible. Each reinsured insurer is directed to file with the Secretary a copy of its annual statements and any amendments which it files with the State insurance authority in its domiciliary State. Parties contracting with the Secretary are required to keep reasonable records to facilitate an effective audit of liability for reinsurance payments. The Secretary and the Comptroller General are authorized to audit pertinent books and records and to conduct such audits to the maximum extent feasibile in cooperation with the State insurance authorities.

Section 1235. Study of reinsurance and other programs

Provides for the Secretary to study reinsurance and other means of assuring an adequate supply of burglary and theft and

other property insurance in urban areas and the adequate availability of surety bonds for construction contractors in urban areas and to report to the President and the Congress within 1 year the results of his study and his recommendations.

Section 1236. Other studies

Provides for the Secretary to study the operation of the FAIR plans, the extent of the unavailability of essential property insurance in urban areas, the market for private reinsurance and loss-prevention methods and procedures, insurance marketing methods, and underwriting techniques.

Section 1237. General powers

Gives the Secretary the authority to issue rules and regulations and other powers and duties set forth in section 402 (except subsecs. (c)(2) and (f) which are not relevant and (d) which is obsolete) of the Housing Act of 1950. This would provide for a budget program and audit of accounts in accordance with the Government Corporation Control Act, and also provide that financial transactions under the reinsurance program are to be final and conclusive upon all officers of the Government.

Section 1238. Service and facilities of other agencies—utilization of personnel, services, facilities, and information

Authorizes the Secretary, with the consent of the agency concerned, to utilize the personnel and information of any agency of the Federal Government on a reimbursable basis and to obtain data relevant to matters within his jurisdiction from any Federal agency on a nonreimbursement basis to the extent permitted by law.

Section 1239. Advance payments

Provides that the Secretary may make reinsurance payments in advance or by way of reimbursement and in such installments and on such conditions as he may determine.

Section 1240. Taxation

Exempts the National Insurance Development Fund from local, State, or Federal taxation except that real property acquired as a result of reinsurance may be taxed by a State or political subdivision to the same extent, according to the value of the property, as other real property is taxed.

Section 1241. Appropriations

Authorizes to be appropriated such sums as may be necessary to carry out the title.

Section 1004. Financing

This section of the bill amends section 520(b) of the National Housing Act to permit use of the borrowing authorization contained therein for payment of losses reinsured under title XII of the act, provided that borrowings for this purpose are limited to $150 million or such further sum as the Congress, by joint resolution, may from time to time determine.

TITLE XI—NATIONAL FLOOD INSURANCE

Section 1101. Short title

This section provides that title XI may be cited as the "National Flood Insurance Act of 1968."

Section 1102. Findings and declaration of purpose

This section sets forth congressional findings and purposes stating that a flood insurance program is feasible, can be initiated, and should complement and encourage measures to prevent flood damage; that if the program is commenced on a gradual basis, time and experience will enable it to be reappraised and expanded to make flood insurance available to other persons needing it; that the program can be carried out most effectively through a cooperative effort on the part of the Federal Government and the private insurance industry; and that a critical ingredient of such a program will be the encouragement of State and local governments to adopt land use regulations to govern the development of land exposed to flood damage. This section also calls upon the President to submit to the Congress, within 2 years after the enactment of the bill, a unified national program for flood plain management, including any further proposals for the allocation of costs among beneficiaries of flood protection.

Section 1103. Amendments to the Federal Flood Insurance Act of 1956

This section repeals all of the now inactive Federal Flood Insurance Act of 1956 (for which program funds were never appropriated) except section 15(e). That section vested the Administrator of the Department's predecessor agency (the Housing and Home Finance Agency) with authority to borrow $500 million in the aggregate (or greater sums if authorized by the President) from the Secretary of the Treasury for flood insurance purposes. Under section 1110 of the bill, a portion of this authority is made available to the Secretary of HUD to carry out the responsibilities vested in him by the title.

Chapter I—The National Flood Insurance Program

Section 1105. Basic authority

Subsection (a) provides the basic authority for the Secretary of Housing and Urban Development to establish and carry out a national flood insurance program to facilitate the purchase by interested persons of insurance to provide against loss from physical damage to real and related personal property resulting from flood.

Subsection (b) directs the Secretary to carry out the program, to the maximum extent practicable, through arrangements for financial participation and risk-sharing by companies in the private insurance industry, and through other appropriate participation on a non-risk-sharing basis by insurance companies, agents, brokers, and adjustment organizations.

Section 1106. Scope of program and priorities

Subsection (a) provides that the flood insurance program is to be made available initially for 1- to 4-family residential properties, and for properties which are owned or leased and operated by small business concerns (i.e., smaller business firms qualifying under regulations prescribed by the Secretary).

Subsection (b) provides that if the Secretary, on the basis of his studies and investigations under section 1108 and such other information as may be necessary, determines that it is feasible to extend the program to any types or classes of other residential or business properties, agricultural properties, private nonprofit organization properties, or State or local governmental properties, he shall report such determination to the Congress, together with his recommendations.

Subsection (c) limits flood insurance under the program to those States or areas (or subdivisions of areas) which the Secretary determines have evidenced a positive interest in the flood insurance program, and have given satisfactory assurances that by June 30, 1970, permanent land use and control measures consistent with prescribed criteria for land management and use will have been adopted, with the application and enforcement of these measures scheduled to commence as soon as technical information on floodways and on controlling flood elevations is available.

Section 1107. Nature and limitation of insurance coverage

Subsection (a) authorizes the Secretary, after consultation with the advisory committee (established by section 1119), representatives of the industry flood insurance pool (created under section 1131), and representatives of the State insurance commissioners, to provide by regulation for the general terms and conditions of insurability applicable to properties eligible for flood insurance. These terms and conditions would include the types and locations of eligible properties; the nature and limits of insurable losses; the classification, limitation, and rejection of risk; and appropriate minimum premiums and loss-deductibles (to prevent low-loss claims).

Subsection (b) places limits on the amount of flood insurance coverage which may be made available at below-cost premium rates under the program. In the case of one- to four-family residential property, the limit would be $17,500 for any single dwelling unit and $30,000 for a two- to four-family structure, plus $5,000 per dwelling unit for its contents. In the case of smaller business properties, the limit with respect to any structure and its contents would be $30,000, plus $5,000 multiplied by the number of small business occupants, with the total thus derived being allocated among the small business occupants (or among them and the owner) in accordance with regulations prescribed by the Secretary; except that in no case could coverage for the structure itself exceed $30,000. In the case of any other type of property which may be covered in the future under subsequent legislation, the limit would be $30,000 for the structure itself and $5,000 per occupant or dwelling unit for any contents related to the insured property.

Any of these limits may be doubled, but coverage in excess of the limit involved (whether such limit is one of the specified dollar limits or represents the limit of the coverage allocated to a small business concern) would require the payment of premium rates at full cost.

Section 1108. Estimates of premium rates

Subsection (a) authorizes the Secretary, on the basis of studies and investigations and on information from the Government agencies most experienced in assessing the risks in flood plains, to estimate, on an area, subidvision, or other appropriate basis (giving priority, under subsection (c), to those States or areas that have evidenced a

positive interest in flood insurance), (1) the risk premium (full-cost) rates for flood insurance, (2) the rates (if lower) which would be reasonable, would encourage the purchase of flood insurance, and would be consistent with the purposes of the title, and (3) the extent to which federally-assisted or other flood protection measures initiated after the enactment of the bill affect the estimates of these rates. The Secretary would base his estimates of risk premium rates on a consideration of the risks involved and accepted actuarial principles; the rates would reflect applicable operating costs and allowances of participating private insurers, and, on a discretionary basis, nondevelopmental Federal administrative expenses which may be incurred in carrying out the flood insurance program.

Subsection (b) directs the Secretary, to the maximum extent feasible in conducting the necessary rate studies and investigations, to utilize on a reimbursement basis the services of the Army Corps of Engineers, the Geological Survey, the Soil Conservation Service, the Environmental Science Services Administration, the Tennessee Valley Authority, and other appropriate Federal agencies.

Section 1109. Establishment of chargeable premium rates

Subsection (a) authorizes the Secretary, after consultation with the advisory committee (established by section 1119), representatives of the industry flood insurance pool (created under section 1131), and representatives of the State insurance authorities, and on the basis of the rate estimates discussed above (sec. 1108), to establish chargeable premium rates and the areas, terms, and conditions for the application of such rates.

Subsection (b) provides that in prescribing chargeable rates the Secretary is to be guided by a number of factors, including the consideration of the respective risks involved, the differences in risks due to land use measures, flood-proofing, flood forecasting, and similar measures. The Secretary could, however, prescribe chargeable rates at reasonable levels lower than those computed on this basis, where necessary, in order to encourage the purchase of flood insurance. Essentially, chargeable rates for existing properties will reflect a combination of (1) the risk premium (full-cost) rate estimated under section 1108 and (2) the "reasonable" rate estimated under that section; thus in low-risk areas the chargeable rate for existing properties would be the same as or close to the estimated full-cost rate, while in high-risk areas it would be considerably less. The higher the flood risk for an area, the lower the chargeable rate (if based on the estimated "reasonable" rate) would be in relation to the estimated full-cost rate. The chargeable rates would be stated so as to reflect their basis, including the difference (if any) from the estimated full-cost risk premium rates.

Subsection (c) provides that, in the case of property on which construction is started or which is substantially improved after the area involved is identified as one having special flood hazards (and such identification has been published under section 1160), the chargeable rate for insurance of such property or its contents will not be less than the estimated full-cost risk premium rate.

Subsection (d) provides that, where any chargeable premium rate is not less than the estimated risk premium rate for the area and includes an amount for administrative expenses of the Federal

Government in carrying out the flood insurance program, a sum equal to that amount is to be paid to the Secretary for deposit in the National Flood Insurance Fund established under section 1111.

Section 1110. Financing

Subsection (a) provides that the authority vested in the Housing and Home Finance Administrator by section 15(e) of the Federal Flood Insurance Act of 1956 (pertaining to the issue of notes or other obligations to the Secretary of the Treasury) will be available to the Secretary so as to permit him to borrow up to $150 million in carrying out his responsibilities under the program.

Subsection (b) requires that borrowed Treasury funds be deposited in the National Flood Insurance Fund established under section 1111.

Section 1111. National Flood Insurance Fund

Subsection (a) authorizes the Secretary to establish in the U.S. Treasury a National Flood Insurance Fund. Premium equalization payments to private insurers, reinsurance claims of insurers, and repayments of borrowed moneys to the Secretary of the Treasury. The fund would also be available to finance the operation of the flood insurance program in the event it is carried out through the facilities of the Federal Government, as provided in subsection (d).

Subsection (b) provides that the fund is to be credited with (1) borrowed Treasury funds, (2) reinsurance premiums payable by private insurers, (3) amounts advanced to the fund from appropriations in order to maintain it at adequate levels, (4) interest on the investment of surplus amounts in the fund, (5) administrative expenses included in chargeable premium rates and paid to the Secretary, and (6) receipts from other operations incident to the insurance program; and, in the event the flood insurance program is carried out through the facilities of the Federal Government, with the insurance premiums paid.

Subsection (c) provides for the investment of any surplus moneys in the fund in obligations issued or guaranteed by the United States, if (1) all outstanding obligations of the fund have been liquidated, and (2) any outstanding amounts that have been advanced to the fund from appropriations for reinsurance payments have been credited to that appropriation, with interest accrued at a rate based on the average current yield on outstanding marketable obligations of the United States of comparable maturities.

Subsection (d) provides that the fund will be available for all purposes incident to the operation of the flood insurance program if the Secretary finds (under section 1140) that the operation of such program should, in whole or in part, be carried out through the facilities of the Federal Government. This would include the payment of costs incurred in the adjustment and payment of loss claims, and the payment of applicable operating costs of private insurers. Premiums paid by policyholders would be deposited in the fund.

Section 1112. Operating costs and allowances

Subsection (a) directs the Secretary to negotiate with appropriate representatives of the insurance industry, from time to time, for the purpose of prescribing a current schedule of operating costs applicable

to risk-sharing and non-risk-sharing participants in the program, and a current schedule of operating allowances applicable to risk-sharing insurers.

Subsection (b) provides that "operating costs" will include (1) expense reimbursements covering the direct and necessary expenses of selling and servicing flood insurance coverage, (2) reasonable compensation or commissions payable for selling and servicing flood insurance coverage, (3) loss adjustment expenses, and (4) other direct and necessary expenses which the Secretary finds are incurred in connection with selling or servicing flood insurance. "Operating allowances" will include amounts for profit and contingencies which the Secretary finds reasonable and necessary to carry out the purposes of the title.

Section 1113. Payment of claims

This section authorizes the Secretary to prescribe regulations establishing methods for the adjustment and payment of claims for losses to property covered by insurance under the flood insurance program.

Section 1114. Dissemination of flood insurance information

This section directs the Secretary to make information and data available to the public and to any State and local agency with regard to (1) the flood insurance program, its coverage and objectives, and (2) estimated risk premium rates and chargeable flood insurance premium rates, including the basis for and difference between such rates.

Section 1115. Prohibition against certain duplications of benefits

Subsection (a) prevents Federal disaster assistance from being made available for any loss to the extent it is covered by flood insurance under the program, or (subject to subsection (b)) could have been so covered (at the maximum limits) if flood insurance had been available in the area involved more than 1 year prior to the loss.

Subsection (b) makes the prohibition against disaster assistance contained in subsection (a) inapplicable to low-income persons who might otherwise benefit from such assistance to the extent that the Secretary so provides by regulation in order to avoid undue hardship.

Subsection (c) defines "Federal disaster assistance" to include any Federal financial assistance made available to any person as a result of (1) a major disaster, as determined by the President pursuant to "An Act to authorize Federal assistance to State and local governments in major disasters, and for other purposes" (42 U.S.C. 1855–1855g); (2) a natural disaster, as determined by the Secretary of Agriculture pursuant to section 321 of the Consolidated Farmers Home Administration Act of 1961; or (3) a disaster with respect to which loans may be made under section 7(b) of the Small Business Act.

Subsection (d) provides that the term "financial assistance" as used in section 10 of the Disaster Relief Act of 1966 (which directs that Federal assistance programs be administered to avoid duplication of benefits) shall be deemed to include flood insurance made available under the program.

Section 1116. State and local land use controls

This section provides that after June 30, 1970, no new flood insurance coverage (including renewals) can be provided in any area unless an appropriate public body has adopted permanent land use and control

measures, with effective enforcement provisions, which the Secretary finds consistent with the comprehensive criteria for land management and use prescribed under section 1161.

Section 1117. Properties in violation of State and local law

This section prohibits any new flood insurance on property duly declared to be in violation of State or local laws, regulations, or ordinances intended to discourage or otherwise restrict land development or occupancy in flood-prone areas.

Section 1118. Coordination with other programs

This section directs the Secretary to consult with other Federal agencies, and interstate, State, and local agencies having responsibilities for flood control, flood forecasting, and flood damage prevention, in order to assure the maximum possible mutual consistency between the programs of these agencies and the flood insurance program.

Section 1119. Advisory committee

Subsection (a) directs the Secretary to appoint a flood insurance advisory committee to advise him with respect to policy matters and in the preparation of regulations prescribed in accordance with the title.

Subsection (b) provides that the committee is to consist of up to 15 representatives of the insurance industry, State and local governments, lending institutions, the homebuilding industry, and the general public.

Subsection (c) provides that committee members, while attending meetings, will be compensated at a rate fixed by the Secretary, but not exceeding $100 a day, and will in addition receive travel and living expenses when serving away from their homes or regular places of business.

Section 1120. Initial program limitation

This section provides that the face amount of flood insurance coverage outstanding and in force at any given time under the program may not exceed $2.5 billion.

Section 1121. Report to the President

This section directs the Secretary to include a report on the operations of the flood insurance program in his annual report to the President for submission to the Congress.

Chapter II—Organization and Administration of the Flood Insurance Program

Section 1130. Organization and administration

This section directs the Secretary, after such consultation with representatives of the insurance industry as may be necessary, to implement the flood insurance program in accordance with part A of chapter II (which provides for an industry program with Federal financial assistance) or, if he finds it necessary, in accordance with part B (which provides for a Federal program with industry assistance).

Part A—Industry Program With Federal Financial Assistance

Section 1131. Industry flood insurance pool

Subsection (a) authorizes the Secretary to encourage and assist private insurers to join together in a pool to provide flood insurance coverage and to participate financially in underwriting the risks assumed and in adjusting and paying claims for losses.

Subsection (b) authorizes the Secretary to prescribe appropriate requirements for private insurers participating in the pool, including minimum capital or surplus or assets requirements.

Section 1132. Agreements with flood insurance pool

Subsections (a) and (b) authorize the Secretary to enter into agreements with the industry pool to carry out the program, specifying the terms and conditions under which (1) risk capital will be available for the adjustment and payment of claims, (2) the pool and its participants will participate in premiums received and profits or losses, realized, including the maximum amount of profit which might be realized, (3) operating costs and allowances might be paid, and (4) premium equalization payments and reinsurance claims will be paid.

Subsection (c) provides that the agreements will also contain such provisions as the Secretary finds necessary to assure (1) no qualified insurer wishing to participate in the pool will be excluded, (2) insurers participating in the pool will provide continuity of flood insurance coverage by the pool, and (3) other insurance companies, agents, and brokers will to the maximum extent practicable be permitted to cooperate with the pool as fiscal agents or otherwise on a non-risk-sharing basis.

Section 1133. Adjustment and payment of claims and judicial review

This section authorizes private insurers participating in the pool to adjust and pay claims for losses and permits any claimant, upon disallowance or partial disallowance of a claim, to institute an action, within 1 year after notice of the disallowance was mailed, in the U.S. district court for the district in which the insured property or the major portion of it was situated. Jurisdiction would be conferred on the district court without regard to the amount in controversy. (Claimants could, of course, also avail themselves of legal remedies in State courts.)

Section 1134. Premium equalization payments

Subsection (a) directs the Secretary to make periodic payments to the pool of insurers in recognition of any reductions made in chargeable premium rates below estimated risk premium rates in order to provide flood insurance on reasonable terms.

Subsection (b) provides that payments for a share of the claims paid in a given period will be based on the aggregate amount of flood insurance retained by the pool after ceding reinsurance in accordance with section 1135, and will not exceed in any payment period an amount determined by a ratio set out in the bill.

Subject to the limiting terms and conditions of the basic agreement between the Secretary and the pool under section 1132, the Secretary would also be authorized to make payments to the pool for a proportionate amount of appropriate operating costs and allowances on the same ratio basis as is used to determine the sharing of claim payments.

Subsection (c) authorizes the Secretary to establish designated payment periods and the methods for determining the sum of premiums paid or payable during such periods.

Section 1135. Reinsurance coverage

This section authorizes the Secretary to negotiate an excess loss agreement with the insurance industry pool whereby claims above a certain limit would be submitted to the Secretary on a portfolio basis and paid by the Federal Government.

Part B—Government Program With Industry Assistance

Section 1140. Federal operation of the program

Subsection (a) authorizes the Secretary, after consultation with representatives of the insurance industry and after making a determination that the flood insurance program cannot be effectively carried on through the insurance pool, to take the necessary steps to operate the program through the facilities of the Federal Government, and to utilize, to the extent practicable, private insurers, agents, brokers, and adjustment organizations as fiscal agents of the United States.

Subsection (b) requires the Secretary, upon determining under subsection (a) that the flood insurance program should be operated through the facilities of the Federal Government (and at least 30 days before implementing the program through such facilities), to submit to the Congress a report giving the reasons and supporting findings for his determination, indicating the extent to which he expects to utilize the insurance industry, and setting forth his recommendations.

Section 1141. Adjustment and payment of claims and judicial review

This section authorizes the Secretary to adjust and pay claims in the event the program is being carried out through the facilities of the Federal Government, and authorizes any claimant, upon disallowance or partial disallowance of a claim, to institute an action, within 1 year after the notice of disallowance was mailed, in the U.S. district court for the district in which the insured property or the major portion of it was situated. Jurisdiction would be conferred on the district court without regard to the amount in controversy.

Part C—Provisions of General Applicability

Section 1145. Services by insurance industry

Subsection (a) provides the legal authority for the Secretary to enter into the necessary arrangements with the private insurance industry in order to implement the flood insurance program, including provisions for payment of applicable operating costs and allowances for the industry's facilities and services.

Subsection (b) exempts any such arrangement from the provisions of Federal law requiring competitive bids or requring that contracts or purchases of supplies or services by the Federal Government be made only after advertisement for bids.

Section 1146. Use of insurance pool, companies, or other private organizations for certain payments

Subsections (a), (b), and (d) authorize the Secretary, in order to achieve maximum efficiency in the administration of the flood insur-

ance program, to enter into contracts with the pool, an insurance company, or any other private organization he finds acceptable to assume certain responsibilities on a reimbursement basis, including (1) estimating and determining amounts of Federal payments, (2) receiving from the Secretary, disbursing, and accounting for funds in making such payments, and (3) auditing participating insurers, agents, brokers, or adjustment organizations, as may be necessary to assure that proper payments are made.

Subsection (c) exempts any such contract from the provisions of Federal law requiring competitive bids or requiring that contracts or purchases of supplies or services by the Federal Government be made only after advertisement for bids.

Subsection (e) authorizes the Secretary to require a surety bond from the pool or any company or organization performing such responsibilities and any of its officers and employees. No individual designated to certify payments, or officer disbursing funds in accordance with a proper certification of payments, would be liable with respect to such payments in the absence of gross negligence or intent to defraud the United States.

Subsection (f) makes such contracts automatically renewable from year to year in the absence of notice from either party as to termination, except that the Secretary may terminate a contract after reasonable notice if he determines that the other party has substantially failed in its obligations or is carrying them out in a manner inconsistent with the efficient and effective administration of the flood insurance program.

Section 1147. Settlement and arbitration

This section authorizes the Secretary to make final determination and settlement of any claims arising from financial transactions he is authorized to carry out, and to refer any disputes to arbitration, which would be advisory in nature.

Section 1148. Records and audits

Subsection (a) requires the industry pool and any company or organization entering into a contract, agreement, or arrangement with the Secretary to keep such records as the Secretary may prescribe (including records to facilitate an effective audit and records fully disclosing its total costs under the program).

Subsection (b) requires that the Secretary and the U.S. Comptroller General (and their duly authorized representatives) be given access for audit and examination purposes to the pertinent records of the pool and any such company or organization.

Chapter III—Coordination of Flood Insurance With Land-Management Programs in Flood-Prone Areas

Section 1160. Identification of flood-prone areas

This section authorizes the Secretary, utilizing the Army Corps of Engineers, the Geological Survey, the Soil Conservation Service, the Environmental Science Services Administration, TVA, and other Federal, State, or local agencies, to identify and publish information within 5 years after the enactment of the bill with respect to all flood plain areas, including coastal areas in the United States, which have special flood hazards; and, within 15 years, to establish flood risk zones in such areas and to make estimates with respect to the rates of prob-

able flood-caused loss for the various flood risk zones for each of these areas.

Section 1161. Criteria for land management and use

Subsections (a) and (b) authorize the Secretary to carry out studies and investigations with regard to the adequacy of State and local measures in flood-prone areas as to land management and use, flood control, flood zoning, and flood damage prevention. These studies and investigations will (among other things) deal with laws, regulations, or ordinances relating to encroachments and obstructions on stream channels and floodways, the orderly development and use of flood plains of rivers or streams, floodway encroachment lines, flood plain zoning, building codes, building permits, and subdivision or other building restrictions.

Subsequent (c) directs the Secretary, on the basis of these studies and investigations, to develop comprehensive criteria designed to encourage, where necessary, the adoption of permanent State or local measures which will lessen the exposure of property and facilities to flood losses, improve the long-range land management and use of flood-prone areas, and inhibit, to the maximum extent feasible, unplanned and economically unjustifiable future development in such areas. The Secretary would also work closely with and provide any necessary technical assistance to State, interstate, and local governmental agencies to encourage the application of such criteria and the adoption and enforcement of such measures as may be necessary to help in reducing any unnecessary damages resulting from floods.

Section 1162. Purchase of certain insured properties

This section authorizes the Secretary to negotiate with owners of real property, located in any flood-risk area, which was damaged substantially beyond repair by flood while covered by insurance under the program, for the purchase of such property for subsequent transfer to State or local agencies which agree to use the property for at least 40 years for only such purposes as the Secretary may, by regulation, determine to be consistent with sound land management and use. No property owners would be required to sell their properties under this section.

Chapter IV—Appropriations and Miscellaneous Provisions

Section 1170. Definitions

This section contains definitions of the basic terms used in the title. Under these definitions (1) "flood" has such meaning as may be prescribed in regulations of the Secretary, and may include inundation from rising waters or from the overflow of streams, rivers, or other bodies of water, and from tidal surges, abnormally high tidal water, tidal waves, tsunamis, hurricanes, and other severe storms or deluge; (2) "United States" and "State" include the several States, the District of Columbia, the territories and possessions, the Commonwealth of Puerto Rico, and the Trust Territory of the Pacific Islands; (3) "insurance company," "other insurer," and "insurance agents and brokers," include organizations or individuals authorized to engage in the insurance business under the laws of any State; (4) "insurance adjustment organization" includes organizations or individuals engaged in the business of adjusting loss claims arising under insurance

policies issued by any insurance company or other insurer; (5)"person" includes any individual, group of individuals, corporation, partnership, association, or other organized group, including State and local governments and agencies; and (6) "Secretary" means the Secretary of Housing and Urban Development.

Section 1171. Studies of other natural disasters

Subsection (a) authorizes the Secretary to make studies to determine the extent to which insurance protection against earthquakes or other natural disasters is not available and the feasibility of making such insurance protection available.

Subsection (b) provides that, to the maximum extent practicable, these studies will be made in cooperation with other Federal, State, or local agencies, and the Secretary is authorized to enter into agreements for the conduct of such studies with other Federal agencies, on a reimbursement basis, and with State and local agencies.

Section 1172. Payments

This section vests discretion in the Secretary to make payments in advance of their actual need, or by way of reimbursement, with appropriate adjustment for previous overpayments or underpayments.

Section 1173. Government Corporation Control Act

This section makes the provisions of the Government Corporation Control Act applicable in the administration of the flood insurance program to the same extent as they are applicable to wholly owned Government corporations.

Section 1174. Finality of certain financial transactions

This section provides that any financial transaction under the bill, and any payment received or made in connection with it, shall be final and conclusive upon all officers of the Government.

Section 1175. Administrative expenses

This section provides that any administrative expenses of the Federal Government in carrying out the flood insurance program may be paid out of appropriated funds.

Section 1176. Appropriations

This section authorizes, without fiscal year limitation, the appropriations necessary to carry out the flood insurance program, including sums to cover administrative expenses and to reimburse the National Flood Insurance Fund for premium equalization payments and reinsurance claims paid out of the fund.

TITLE XII—MORTGAGE INSURANCE FOR NONPROFIT HOSPITALS

Section 1201. Amendment to National Housing Act

This section adds to title II of the National Housing Act a new section 242, establishing a new FHA program under which the Secretary of HUD will insure mortgages covering new or rehabilitated hospitals (including initial equipment). To be eligible for such insurance, the mortgage could not exceed $25 million or 90 percent of replacement cost, and the hospital must be owned and operated by one or more nonprofit organizations. A certification that the hospital is needed, and that State or local laws providing for minimum standards will be applied and enforced, is required from the State health

agency designated for the State involved under section 604(a)(1) of the Public Health Service Act. The agencies involved are directed to encourage programs providing comprehensive health care, including outpatient and preventive care, in carrying out their activities and functions under the new provisions.

Section 1202. Labor standards

This section amends section 212 of the National Housing Act to make FHA's labor standards provisions (Davis-Bacon Act) applicable to hospitals financed with mortgage insurance under the new section 242.

TITLE XIII—HOUSING GOALS AND ANNUAL HOUSING REPORT

Section 1301. Reaffirmation of goal

In this section the Congress finds that the Nation's housing supply is not increasing rapidly enough to meet the national housing goal—the "realization as soon as feasible of the goal of a decent home and a suitable living environment for every American family." The Congress reaffirms this goal, and determines that it should be met within the next decade by the construction or rehabilitation of 26 million housing units including 6 million for low and moderate income families.

Section 1302. Annual housing report

This section directs the Secretary of HUD to submit annually to the President and the Council of Economic Advisers a report containing his estimate of the number of standard housing units produced in the preceding year, the number of such units produced for low and moderate income families, his assessment of whether the 10-year housing goal is being met, his recommendation of the current annual goal, and his recommendations of the legislative and administrative actions required to achieve the 10-year goal.

TITLE XIV—MISCELLANEOUS

Section 1401. Model cities

Subsection (a) amends section 111(a) of the Demonstration Cities and Metropolitan Development Act of 1966 to authorize the appropriation of $12 million for the purpose of planning and technical assistance for the fiscal year 1969. (Existing law authorizes funds for this purpose only through the fiscal year 1968.)

Subsection (b) amends section 111(b) of the 1966 act to authorize the appropriation of $1 billion for the demonstration cities program for the fiscal year 1970. (Existing law authorizes funds for this program only through the fiscal year 1969.)

Subsection (c) amends section 111(c) of the 1966 act to provide that any amounts authorized but not appropriated for any fiscal year may be appropriated for any succeeding fiscal year through the fiscal year 1970.

Section 1402. Urban renewal demonstration grant program

This section amends section 314 of the Housing Act of 1954 to provide that demonstration grants may be made thereunder to nonprofit organizations as well as to public bodies. It also increases from 66⅔

to 90 percent of cost the maximum amount of such a grant, and increases from $10 to $20 million the funds available for the program.

Section 1403. Authorization for urban information and technical assistance services program

This section amends section 906 of the Demonstration Cities and Metropolitan Development Act of 1966 to authorize the appropriation of $5 million for the fiscal year 1969 and $15 million for the fiscal year 1970 for the urban information and technical assistance services program under title IX of that act. It also provides that any amounts authorized but not appropriated for any fiscal year may be appropriated for any succeeding fiscal year through the fiscal year 1970.

Section 1404. Advances in technology in housing and urban development

This section amends section 1010 of the Demonstration Cities and Metropolitan Development Act of 1966 to authorize the appropriation of such sums as may be necessary for that program beginning with the fiscal year 1969, and to permit research contracts under the program to be made for periods of up to 3 instead of 2 years.

Section 1405. College housing

This section extensively amends sections 401 and 404(b) of the Housing Act of 1950 to provide that the Secretary of HUD, in addition to making loans as presently provided for to an educational institution for the construction of facilities under the college housing program or making loans to such an institution for the purchase of existing facilities as newly provided for by the bill, may make annual grants to such an institution (separately or in combination with loans) for the purpose of reducing the institution's cost of borrowing from other sources. These grants are to be made under contracts for periods of up to 40 years, each grant being equal to the difference between the actual average annual debt service required to be paid as a cost of borrowing from other sources and the average annual debt service which would be required under a college housing loan at the interest rate established for such loans under title IV of the 1950 act. The aggregate amount of contracts for these grants could not exceed the amount authorized in appropriation acts, and could not exceed $10 million initially or $20 million after June 30, 1969.

Section 1406. Housing for the elderly

Subsection (a) amends section 202(a) of the Housing Act of 1959 to make limited profit sponsors (along with private nonprofit corporations, consumer cooperatives, and public bodies and agencies) eligible for loans to provide housing and related facilities for elderly or handicapped families thereunder.

Subsection (b) amends section 202(c)(3) of the 1959 act to provide that a waiver of the applicable labor standards provisions (Davis-Bacon Act) will be permitted only where the persons involved donate their services without *any* compensation. (Existing law permits this waiver where such persons donate their services without *full* compensation.)

Section 1407. Federal-State training programs

This section amends title VIII of the Housing Act of 1964 to expand the Federal-State training program to permit grants to States for training subprofessional (as well as professional) persons to be employed in the field of housing and community development

by private nonprofit (as well as public) organizations. It also makes Guam, American Samoa, and the Trust Territory of the Pacific Islands eligible for these grants.

Section 1408. Additional Assistant Secretary of Housing and Urban Development

This section amends section 4(a) of the Department of Housing and Urban Development Act and section 5313 of title 5, United States Code, to increase from five to six the number of Assistant Secretaries in the Department of HUD.

Section 1409. International housing

This section amends section 604 of the Housing Act of 1957 to clarify the authority of the Secretary of HUD to exchange data with foreign countries in the field of housing and urban planning and development, to employ private citizens in an advisory capacity in connection with international meetings, and to accept (from international organizations, foreign countries, and private nonprofit foundations) funds, services, facilities, materials, and other donations.

Section 1410. Low-rent public housing—corporate status

This section amends the United States Housing Act of 1937 to eliminate the provisions which presently confer corporate status upon the public housing entity in the Department of HUD, and to vest directly in the Secretary the necessary functions, powers, and duties for the low-rent public housing program. It also permits the retirement and return to the Treasury of the $1 million capital stock of such entity.

Section 1411. Eligibility for rent supplement payments

This section extends eligibility to participate in the rent supplement program under section 101 of the Housing and Urban Development Act of 1965 to two projects in New York City which are presently ineligible for rent supplement assistance because of the early date of their approval for mortgage insurance.

Section 1412. Consolidation of low-rent public housing projects in the District of Columbia

This section allows the National Capital Housing Authority to consolidate the operating income and expense accounts for certain low-rent housing, built in the District of Columbia before the enactment of the United States Housing Act of 1937, into its annual contributions contracts covering projects built with assistance under the 1937 act.

Section 1413. Urban renewal project in Garden City, Mich.

This section authorizes the inclusion as a local grant-in-aid, toward the Cherry Hill urban renewal project in Garden City, Mich., of local expenditures made in connection with the construction of the Florence Primary School notwithstanding the date of commencement of such construction.

Section 1414. Urban renewal project in Sacramento, Calif.

This section authorizes the inclusion as a local grant-in-aid, toward the Capitol Mall Riverfront urban renewal project in Sacramento, Calif., of local expenditures made in connection with the construction of a storm drainage system notwithstanding the date of commencement of such construction.

Section 1415. Self-help studies

This section amends section 207 of the Housing Act of 1961 to add the study of self-help in low-income housing construction, rehabilitation, and maintenance to the matters covered by that section's low-income housing demonstration program, and requires the Secretary of HUD to report on this aspect of the study within 1 year.

Section 1416. Earthquake study

This section amends section 5 of the Southeast Hurricane Disaster Relief Act of 1965 to extend, from October 31, 1968, to June 30, 1969, the date on which the Secretary must report on earthquake insurance under that act.

Section 1417. Home Owners' Loan Act of 1933

ISSUANCE OF CERTIFICATES OF DEPOSIT AND OTHER INSTRUMENTS BY SAVINGS AND LOAN ASSOCIATIONS

Subsection (a) of this section amends section 5(b) of the Home Owners' Loan Act of 1933 to allow the use of such terms as "savings deposits" with reference to accounts in Federal savings and loan associations. It also empowers such associations to accept deposits for fixed periods of time and to issue certificates of deposit in evidence thereof. All of these accounts would be insured (subject to the statutory limitation, now $15,000, on such insurance) by the Federal Savings and Loan Insurance Corporation. In the event of insolvency all such accounts would be entitled to the same priority. The actual implementation of these new powers by any given association would be subject to its charter and to the regulations of the Board. Likewise subject to the charter and regulations, holders of any such accounts as well as obligors of an association would be voting members of the association.

Demand deposits are prohibited. Payment of withdrawals would be subject to the provisions of the charter of the association and the regulations of the Board, but any association which failed to pay withdrawals when due could be placed in conservatorship or receivership by the Board and would in any event have to follow a plan approved by the Board in any delayed payment of withdrawals.

The existing authority of associations to borrow money is clarified, and they are expressly authorized to give security and to issue notes, bonds, debentures, and other obligations and securities (except capital stock), but only to such extent that the Board may authorize by regulation or advice in writing. Such notes, bonds, debentures, and other obligations and securities would not be insured or eligible for insurance under title IV of the National Housing Act.

AUTHORITY OF SAVINGS AND LOAN ASSOCIATIONS TO INVEST IN DEPOSITS OR ACCOUNTS OF INSURED BANKS

Subsection (b) makes a technical amendment to section 5(c) to make it consistent with section 5(b) as amended by the preceding subsection. It also expressly authorizes investment by Federal savings and loan

associations in time deposits, certificates, or accounts of any bank the deposits of which are insured by the Federal Deposit Insurance Corporation.

ADDITIONAL LENDING POWERS

Subsection (c) adds a new paragraph to section 5(c) which, subject to a limitation of $5,000 on any one loan, and subject to such prohibitions, limitations, and conditions as the Board may by regulation prescribe, authorizes loans for the repair, equipment, alteration, or or improvement of any real property, including the construction of new structures related to residential use of the property, and loans for the purpose of mobile home financing.

LOANS SECURED BY COLLATERAL ELIGIBLE FOR DIRECT INVESTMENT

Subsection (d) adds a new papragraph at the end of section 5(c) authorizing any Federal association to invest in loans, or interests in loans secured by loans, obligations, or investments in which it has any statutory authority to invest directly.

Section 1418. Federal Home Loan Bank Act

This section amends section 12 of the Federal Home Loan Bank Act to permit Federal home loan banks, subject to the regulations of the Board, to invest in housing project loans or interests therein having the benefit of any guaranty under section 221 of the Foreign Assistance Act of 1961. The section also authorizes investments in loans or interests therein having the benefit of any guaranty under section 224 of the Foreign Assistance Act of 1961. The latter section relates to guaranties of loan investments in pilot or demonstration private housing projects, credit institutions furnishing home mortgage financing, lower income housing projects, and certain other housing investments in Latin America of types intended to foster the development of local capital-generating enterprises. This section is not intended to confer any investment authority on Federal savings and loan associations or any other members of Federal home loan banks that they would not have in the absence of this section.

Section 1419. Technical amendments

This section makes technical amendments in section 110 of the Housing Act of 1949 (with respect to historical preservation of property and air rights development), section 1101(c)(3) of the National Housing Act (with respect to the amortization period for group practice facilities mortgages), section 213(o) of the National Housing Act (with respect to investments of money in the management fund), section 810 of the National Housing Act (with respect to individual mortgagors under the military housing program), and section 220(d)(2)(B) of the National Housing Act (with respect to maximum mortgage amounts in case of certain restricted noncorporate mortgagors).

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

NATIONAL HOUSING ACT

[Public Law 479, 73d Congress, 48 Stat. 1246, 12 U.S.C. 1701 et seq.]

AN ACT To encourage improvement in housing standards and conditions, to provide a system of mutual mortgage insurance, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "National Housing Act."

TITLE I—HOUSING RENOVATION AND MODERNIZATION

* * * * * * *

INSURANCE OF FINANCIAL INSTITUTIONS

SEC. 2. (a)

* * * * * * *

(b) No insurance shall be granted under this section to any such financial institution with respect to any obligation representing any such loan, advance of credit, or purchase by it (1) if the amount of such loan, advance of credit, or purchase exceeds **[**$3,500**]** *$5,000*; (2) if such obligation has a maturity in excess of three years and thirty-two days, except that the Secretary may increase such maximum limitation to **[**five**]** *seven* years and thirty-two days if he determines such increase to be in the public interest after giving consideration to the general effect of such increase upon borrowers, the building industry, and the general economy, and such maturity limitation shall not apply if such loan, advance of credit, or purchase is for the purpose of financing the construction of a new structure for use in whole or in part for agricultural purposes; or (3) unless the obligation bears such interest, has such maturity, and contains such other terms, conditions, and restrictions as the Secretary shall prescribe, in order to make credit available for the purposes of this title: *Provided*, That any such obligation with respect to which insurance is granted under this section on or after sixty days from the date of the enactment of this proviso shall bear interest, and insurance premium charges, not exceeding (A) an amount with respect to so much of the net proceeds thereof as does not exceed $2,500, equivalent to **[**$5**]** *$5.50* discount per $100 of original face amount of a one-year note payable in equal monthly installments, plus (B) an amount, with respect to any portion of the net proceeds thereof in excess of $2,500, equivalent to **[**$4**]** *$4.50* discount per $100 of original face amount of such a note: *Provided further*, That the amounts referred to in clauses (A) and (B) of the preceding proviso, when correctly based on tables of calcu-

lations issued by the Secretary or adjusted to eliminate minor errors in computation in accordance with requirements of the Secretary, shall be deemed to comply with such proviso: *Provided further*, That insurance may be granted to any such financial institution with respect to any obligation not in excess of $15,000 nor an average amount of $2,500 per family unit and having a maturity not in excess of seven years and thirty-two days representing any such loan, advance of credit, or purchase made by it if such loan, advance of credit, or purchase is made for the purpose of financing the alteration, repair, improvement, or conversion of an existing structure used or to be used as an apartment house or a dwelling for two or more families: *Provided further*, That any obligation with respect to which insurance is granted under this section on or after July 1, 1939, may be refinanced and extended in accordance with such terms and conditions as the Secretary may prescribe, but in no event for an additional amount or term in excess of the maximum provided for in this subsection.

* * * * * * *

TITLE II—MORTGAGE INSURANCE

DEFINITIONS

SEC. 201. As used in section 203 of this title—

(a) The term "mortgage" means a first mortgage on real estate, in fee simple, or on a leasehold (1) under a lease for not less than ninety-nine years which is renewable or (2) under a lease having a period of not less than fifty years to run from the date the mortgage was executed; and the term "first mortgage" means such classes of first liens as are commonly given to secure advances on, or the unpaid purchase price of, real estate, under the laws of the State in which the real estate is located, together with the credit instruments, if any, secured thereby.

(b) The term "mortgagee" includes the original lender under a mortgage, and his successors and assigns approved by the Secretary; and the term "mortgagor" includes the original borrower under a mortgage and his successors and assigns.

(c) The term "maturity date" means the date on which the mortgage indebtedness would be extinguished if paid in accordance with periodic payments provided for in the mortgage.

(d) The term "State" includes the several States and Puerto Rico, the District of Columbia, Guam, and the Virgin Islands.

* * * * * * *

INSURANCE OF MORTGAGES

SEC. 203. (a) The Secretary is authorized, upon application by the mortgagee, to insure as hereinafter provided any mortgage offered to him which is eligible for insurance as hereinafter provided and, upon such terms as the Secretary may prescribe, to make commitments for the insuring of such mortgages prior to the date of their execution or disbursement thereon.

* * * * * * *

(i) The Secretary is authorized to insure under this section any mortgage meeting the requirements of subsection (b) of this section,

except as modified by this subsection, which involves a principal obligation not in excess of [$12,500] *$15,000* and not in excess of 97 per centum (or, in any case where the dwelling is not approved for mortgage insurance prior to the beginning of construction, unless the construction of the dwelling was completed more than one year prior to the application for mortgage insurance or the dwelling was approved for guaranty, insurance, or direct loan under chapter 37 of title 38, United States Code, prior to the beginning of construction, 90 per centum) of the appraised value of a property located in an area where the Secretary finds it is not practicable to obtain conformity with many of the requirements essential to the insurance of mortgages on housing in built-up urban areas, upon which there is located a dwelling designed principally for a single-family residence: *Provided*, That if the mortgagor is not the occupant of the property at the time of insurance, the principal obligation of the mortgage shall not exceed 85 per centum of the appraised value of the property: *Provided further*, That the Secretary finds that the property with respect to which the mortgage is executed is an acceptable risk, giving consideration to the need for providing adequate housing for families of low and moderate income particularly in suburban and outlying areas or small communities: *Provided further*, That under the foregoing provisions of this subsection the Secretary is authorized to insure any mortgage issued with respect to a farm home on a plot of land five or more acres in size adjacent to a public highway.

* * * * * * *

[(l) The Secretary is authorized to insure under this section any mortgage meeting the requirements of this section, other than the requirement in subsection (c) relating to economic soundness, if he determines that (1) the dwelling covered by the mortgage is situated in an area in which rioting or other civil disorders have occurred or are threatened, (2) as a result of such actual or threatened rioting or other disorders the property with respect to which the mortgage is executed cannot meet the normal requirements with respect to economic soundness, and (3) such property is an acceptable risk giving due consideration to the need for providing adequate housing for families of low and moderate income in such area.]

* * * * * * *

LABOR STANDARDS

SEC. 212. (a) The Secretary shall not insure under section 207 or section 210 of this title, or under section 608 of title VI, pursuant to any application for insurance filed subsequent to the effective date of this section, or under section 213 of this title, or under title VII pursuant to any application filed subsequent to sixty days after the date of enactment of the Housing Act of 1950, or under section 803 or 810 of title VIII, or under section 908 of title IX, a mortgage or investment which covers property on which there is or is to be located a dwelling or dwellings, or a housing project, the construction of which was or is to be commenced subsequent to such date, unless the principal contractor files a certificate or certificates (at such times, in course of construction or otherwise, as the Secretary may prescribe) certifying that the laborers and mechanics employed in the construction of the dwelling

or dwellings or the housing project involved have been paid not less than the wages prevailing in the locality in which the work was performed for the corresponding classes of laborers and mechanics employed on construction of a similar character, as determined by the Secretary of Labor in accordance with the Davis-Bacon Act, as amended (40 U.S.C. 276a—276a–5), prior to the beginning of construction and after the date of the filing of the application for insurance. The provisions of this section shall also apply to the insurance of any loan or mortgage under section 220 or section 233 which covers property on which there is located a dwelling or dwellings designed principally for residential use for twelve or more families. The provisions of this section shall apply to the insurance under section 221 of any mortgage described in subsection (d)(3) or (d)(4) and (deeming the term "construction" as used in the first sentence of this subsection to mean rehabilitation) of any mortgate described in subsection (h)(1) *or section 235 (j)(1)* which covers property on which there is located a dwelling or dwellings designed principally for residential use for more than eight families; except that compliance with such provisions may be waived by the Secretary—

(1) with respect to mortgages described in such subsection (d)(3) or (d)(4) in cases or classes of cases where laborers or mechanics (not otherwise employed at any time in the construction of the project) voluntarily donate their services without compensation for the purpose of lowering their housing costs in a cooperative housing project and the Secretary determines that any amounts saved thereby are fully credited to the cooperative undertaking the construction, and

(2) with respect to mortgages described in such subsection (h)(1) *or section 235 (j)(1)*, in cases or classes of cases where prospective owners of such dwellings voluntarily donate their services without compensation, or other persons (not otherwise employed at any time in the rehabilitation of the property) voluntarily donate their services without compensation, and the Secretary determines that any amounts saved thereby are fully credited to the nonprofit organization undertaking the rehabilitation.

The provisions of this section shall also apply to the insurance of any mortgage under section 231 [or 232], *232, or 236* except that compliance with such provisions may be waived by the Secretary in cases or classes of cases where laborers or mechanics, not otherwise employed at any time on the project voluntarily donate their services without full compensation for the purpose of lowering the costs of construction and the Secretary determines that any amounts thereby saved are fully credited to the nonprofit corporation, association, or other organization undertaking the construction. The provisions of this section shall also apply to the insurance of any mortgage under section 234(d). *The provisions of this section shall also apply to the insurance of any mortgage under section 242, except that compliance with such provisions may be waived by the Secretary in cases or classes of cases where laborers or mechanics, not otherwise employed at any time on the project, voluntarily donate their services without compensation for the purpose of lowering the costs of construction and the Secretary determines that any amounts thereby saved are fully credited to the nonprofit corporation or association undertaking the construction; and each laborer or*

mechanic employed on any facility covered by a mortgage insured under section 242 shall receive compensation at a rate not less than one and one-half times hs basic rate of pay for all hours worked in any workweek in excess of eight hours in any workday or forty hours in the workweek, as the case may be. The provisions of this section shall also apply to insurance under title X with respect to laborers and mechanics employed in land development financed with the proceeds of any mortgage insured under that title. The provisions of this section shall also apply to the insurance of any mortgage under title XI; and each laborer or mechanic employed on any facility covered by a mortgage insured under such title shall receive compensation at a rate not less than one and one-half times his basic rate of pay for all hours worked in any workweek in excess of eight hours in any workday or forty hours in the workweek, as the case may be.

* * * * * * *

COOPERATIVE HOUSING INSURANCE

SEC. 213. (a) * * *

* * * * * * *

(j)(1) With respect to any property covered by a mortgage insured under this section (or any cooperative housing project covered by a mortgage insured under section 207 as in effect prior to the enactment of the Housing Act of 1950), the Secretary is authorized, upon such terms and conditions as he may prescribe, to make commitments to insure and to insure supplementary cooperative loans (including advances during construction or improvement) made by financial institutions approved by the Secretary. *The Secretary is further authorized to make commitments to insure and to insure supplementary cooperative loans (including advances during construction or improvement) with respect to any property purchased from the Federal Government by a nonprofit corporation or trust of the character described in paragraph (1) of subsection (a), if the property is covered by an uninsured mortgage representing a part of the purchase price.* As used in this subsection, "supplementary cooperative loan" means a loan, advance of credit, or purchase of an obligation representing a loan or advance of credit made for the purpose of financing any of the following:

(A) Improvements or repairs of the property covered by such mortgage;

(B) Community facilities necessary to serve the occupants of the property; or

(C) Cooperative purchases and resales of memberships in order to provide necessary refinancing for resales of memberships which involve increases in equity; but in such resales by the cooperative the downpayments by the new members shall not be less than those made on the original sales of such memberships.

(2) To be eligible for insurance under this subsection, a supplementary cooperative loan shall—

(A) be limited to an amount which, when added to the outstanding mortgage indebtedness on the property, creates a total outstanding indebtedness which does not exceed the original principal obligation of the mortgage; except that, in the case of improvements or additional community facilities, the outstanding

indebtedness may be increased by an amount equal to 97 per centum of the amount which the Secretary estimates will be the value of such improvements or facilities, and the new outstanding indebtedness may exceed the original principal obligation of the mortgage if such new outstanding indebtedness does not exceed the limitations imposed by subsection (b);

(B) have a maturity satisfactory to the Secretary but not to exceed the remaining term of the mortgage; *except that, in the case of repairs or improvements to a property covered by an uninsured mortgage dated more than twenty years prior to the date of the commitment to insure, of such magnitude that the Secretary deems them to be a major rehabilitation or modernization of such property, the loan may have a maturity date up to ten years in excess of the remaining term of the uninsured mortgage;*

(C) be secured in such manner as the Secretary may require;

(D) contain such other terms, conditions, and restrictions as the Secretary may prescribe; and

(E) represent the obligation of a borrower of the character described in paragraph (1) of subsection (a).

* * * * * * *

(o) Notwithstanding any other provision of this Act, the Secretary is authorized to transfer funds between the Cooperative Management Housing Insurance Fund and the General Insurance Fund in such amounts and at such times as he may determine, taking into consideration the requirements of each such Fund, to assist in carrying out effectively the insurance programs for which such Funds were respectively established. *Moneys in the Cooperative Management Housing Insurance Fund not needed for current operations of the fund shall be deposited with the Treasurer of the United States to the credit of the Cooperative Management Housing Insurance Fund or invested in bonds or other obligations of, or in bonds or other obligations guaranteed as to principal and interest by, the United States. The Secretary may, with the approval of the Secretary of the Treasury, purchase in the open market debentures which are the obligations of the Cooperative Management Housing Insurance Fund. Such purchases shall be made at a price which will provde an investment yield of not less than the yield obtainable from other investments authorized by this subsection. Debentures so purchased shall be canceled and not reissued.*

* * * * * * *

REHABILITATION AND NEIGHBORHOOD CONSERVATION HOUSING INSURANCE

SEC. 220. (a) The purpose of this section is to aid in the elimination of slums and blighted conditions and the prevention of the deterioration of residential property by supplementing the insurance of mortgages under sections 203 and 207 of this title with a system of loan and mortgage insurance designed to assist the financing required for the rehabilitation of existing dwelling accommodations and the construction of new dwelling accommodations where such dwelling accommodations are located in an area referred to in paragraph (1) of subsection (d) of this section.

* * * * * * *

(d) To be eligible for insurance under this section a mortgage shal meet the following conditions:

(1) The mortgaged property shall—

(A) be located in (i) the area of a slum clearance and urban redevelopment project covered by a Federal-aid contract executed or a prior approval granted, pursuant to title I of the Housing Act of 1949 before the effective date of the Housing Act of 1954, or (ii) an urban renewal area (as defined in title I of the Housing Act of 1949, as amended) in a community respecting which the Secretary of Housing and Urban Development has made the determination provided for by section 101(c) of the Housing Act of 1949, as amended, or (iii) the area of an urban renewal project assisted under section 111 of the Housing Act of 1949, as amended, or (iv) an area in which a program of concentrated code enforcement activities is being carried out pursuant to section 117 of the Housing Act of 1949: *Provided,* That, in the case of an area within the purview of clause (i) or (ii) of this subparagraph, a redevelopment plan or an urban renewal plan (as defined in title I of the Housing Act of 1949, as amended), as the case may be, has been approved for such area by the governing body of the locality involved and by the Secretary of Housing and Urban Development and the Secretary has determined that such plan conforms to a general plan for the locality as a whole and that there exist the necessary authority and financial capacity to assure the completion of such redevelopment or urban renewal plan: *And provided further,* That, in the case of an area within the purview of clause (iii) of this subparagraph, an urban renewal plan (as required for projects assisted under such section 111) has been approved for such area by such governing body and by the Secretary, and the Secretary has determined that such plan conforms to definite local objectives respecting appropriate land uses, improved traffic, public transportation, public utilities, recreational and community facilities, and other public improvements, and that there exist the necessary authority and financial capacity to assure the completion of such urban renewal plan, and

(B) meet such standards and conditions as the Secretary shall prescribe to establish the acceptability of such property for mortgage insurance under this section.

(2) The mortgaged property shall be held by—

(A) a mortgagor approved by the Secretary, and the Secretary may in his discretion require such mortgagor to be regulated or restricted as to rents or sales, charges, capital structure, rate of return and methods of operation, and for such purpose the Secretary may make such contracts with and acquire for not to exceed $100 stock or interest in any such mortgagor as the Secretary may deem necessary to render effective such restriction or regulations. Such stock or interest shall be paid for out of the General Insurance Fund and shall be redeemed by the mortgagor at par upon the termination of all obligations of the Secretary under the insurance; or

(B) by Federal or State instrumentalities, municipal corporate instrumentalities of one or more States, or limited dividend or redevelopment or housing [corporations restricted by] *corporations or*

other legal entities restricted by or under Federal or State laws or regulations of State banking or insurance departments as to rents, charges, capital structure, rate of return, or methods of operation.

(3) The mortgage shall—

(A)(i) * * *

* * * * * * *

(B)(i) not exceed $30,000,000 or, if executed by a mortgagor coming within the provisions of paragraph (2)(B) of this subsection (d) not exceed $50,000,000; and

(ii) not exceed 90 per centum of the amount which the Secretary estimates will be the replacement cost of the property or project when the proposed improvements are completed (the replacement cost of the property or project may include the land, the proposed physical improvements, utilities within the boundaries of the property or project, architect's fees, taxes, and interest during construction, and other miscellaneous charges incident to construction and approved by the Secretary, and shall include an allowance for builder's and sponsor's profit and risk of 10 per centum of all of the foregoing items except the land unless the Secretary, after certification that such allowance is unreasonable, shall by regulation prescribe a lesser percentage): *Provided,* That in the case of properties other than new construction, the foregoing limitations upon the amount of the mortgage shall be based upon the sum of the estimated cost of repair and rehabilitation and the Secretary's estimate of the value of the property before repair and rehabilitation rather than upon the Secretary's estimate of the replacement cost: *Provided further,* That in no case involving refinancing shall such mortgage exceed such estimated cost of repair and rehabilitation and the amount (as determined by the Secretary) required to refinance existing indebtedness secured by the property or project: *Provided further, That the mortgage may involve the financing of the purchase of property which has been rehabilitated by a local public agency with Federal assistance pursuant to section 110(c)(8) of the Housing Act of 1949, and, in such case, the foregiong limitations upon the amount of the mortgage shall be based upon the appraised value of the property as of the date the mortgage is accepted for insurance;*

HOUSING FOR MODERATE INCOME AND DISPLACED FAMILIES

SEC. 221. (a) * * *.

* * * * * * *

(d) To be eligible for insurance under this section, a mortgage shall—

(1) have been made to and be held by a mortgagee approved by the Secretary as responsible and able to service the mortgage properly;

(2) be secured by property upon which there is located a dwelling conforming to applicable standards prescribed by the Secretary under subsection (f) of this section, and meeting the requirements of all State laws, or local ordinances or regulations, relating to the public health or safety, zoning, or otherwise, which may be applicable thereto, and shall involve a principal obligation (including such initial service charges, appraisal, inspection, and

other fees as the Secretary shall approve) in an amount (A) not to exceed (i) [$12,500] *$15,000 (or $17,500, if the mortgagor's family includes five or more persons)* in the case of a property upon which there is located a dwelling designed principally for a single-family residence, (ii) $20,000 in the case of a property upon which there is located a dwelling designed principally for a two-family residence, (iii) $27,000 in the case of a property upon which there is located a dwelling designed principally for a three-family residence, or (iv) $33,000 in the case of a property upon which there is located a dwelling designed principally for a four-family residence: *Provided*, That a mortgage secured by property upon which there is located a dwelling designed principally for a two-, three-, or four-family residence shall not be insured under this section except in the case of a dwelling for occupancy by [a displaced family] *the mortgagor*: *Provided further*, That the Secretary may increase the foregoing amounts to not to exceed [$15,000] *$17,500 (or $20,000 if the mortgagor's family includes five or more persons)*, $25,000, $32,000, and $38,000, respectively, in any geographical area where he finds that cost levels so require; and (B) not to exceed the appraised value of the property (as of the date the mortgage is accepted for insurance): *Provided*, That (i) if the mortgagor is the owner and an occupant of the property at the time of insurance, (1) in the case of a displaced family, he shall have paid on account of the property at least $200 in the case of a single-family dwelling, $400 in the case of a two-family dwelling, $600 in the case of a three-family dwelling,and $800 in the case of a four-family dwelling, or (2) in the case of any other family, he shall have paid on account of the property at least 3 per centum of the Secretary's estimate of its acquisition cost, *in cash or its equivalent*; which amount in either instance may include amounts to cover settlement costs and initial payments for taxes, hazard insurance, mortgage insurance premium, and other prepaid expenses; or (ii) in the case of repair and rehabilitation, the amount of the mortgage shall not exceed the sum of the estimated cost of repair and rehabilitation and the Secretary's estimate of the value of the property before repair and rehabilitation, except that in no case involving refinancing shall such mortgage exceed such estimated cost of repair and rehabilitation and the amount (as determined by the Secretary) required to refinance existing indebtedness secured by the property: *Provided further*, That nothing contained herein shall preclude the Secretary from issuing a commitment to insure, and insuring a mortgage pursuant thereto, where the mortgagor is not the owner and an occupant of the property, if the property is to be built or acquired and repaired or rehabilitated for sale, and the insured mortgage financing is required to facilitate the construction, or the repair or rehabilitation, of the dwelling and to provide financing pending the subsequent sale thereof to a qualified owner who is also an occupant thereof, but in such instances the mortgage shall not exceed 85 per centum of the appraised value: *Provided further, That, if the mortgagor is the owner and an occupant of the property, such mortgagor shall to the maximum extent feasible be given the opportunity to contribute the value of his labor as equity in such dwelling*; or

(3) if executed by a mortgagor which is a public body or agency (and which certifies that it is not receiving financial assistance from the United States exclusively pursuant to the United States Housing Act of 1937), a cooperative (including an investor-sponsor who meets such requirements as the Secretary may impose to assure that the consumer interest is protected), or a limited dividend corporation (as defined by the Secretary), or a private nonprofit corporation or association, or other mortgagor approved by the Secretary, and regulated or supervised under Federal or State laws or by political subdivisions of States, or agencies thereof, or by the Secretary under a regulatory agreement or otherwise, as to rents, charges, and methods of operation, in such form and in such manner as in the opinion of the Secretary will effectuate the purposes of this section—

* * * * * * *

(iii) not exceed (1) in the case of new construction, the amount which the Secretary estimates will be the replacement cost of the property or project when the proposed improvements are completed (the replacement cost may include the land, the proposed physical improvements, utilities within the boundaries of the land, architect's fees, taxes, interest during construction, and other miscellaneous charges incident to construction and approved by the Secretary), or (2) in the case of repair and rehabilitation, the sum of the estimated cost of repair and rehabilitation and the Secretary's estimate of the value of the property before repair and rehabilitation: *Provided,* That in no case involving refinancing shall such mortgage exceed such estimated cost of repair and rehabilitation and the amount (as determined by the Secretary) required to refinance existing indebtedness secured by the property or project: *Provided further, That the mortgage may involve the financing of the purchase of property which has been rehabilitated by a local public agency with Federal assistance pursuant to section 110(c)(8) of the Housing Act of 1949, and, in such case, the amount of the mortgage shall not exceed the appraised value of the property as of the date the mortgage is accepted for insurance*: *Provided further,* That in the case of any mortgagor other than a nonprofit corporation or association, cooperative (including an investor-sponsor), or public body, or a mortgagor meeting the special requirements of subsection (e)(1), the amount of the mortgage shall not exceed 90 per centum of the amount otherwise authorized under this section: *Provided further,* That such property or project, when constructed, or repaired and rehabilitated, shall be for use as a rental or cooperative project, and low and moderate income families or displaced families shall be eligible for occupancy in accordance with such regulations and procedures as may be prescribed by the Secretary and the Secretary may adopt such requirements as he determines to be desirable regarding consultation with local public officials where such consultation is appropriate by reason of the relationship of such project to projects under other local programs; or

* * * * * * *

(f) The property or project shall comply with such standards and conditions as the Secretary may prescribe to establish the acceptability of such property for mortgage insurance and may include such commercial and community facilities as the Secretary deems adequate to serve the occupants: *Provided,* That in the case of any such property or project located in an urban renewal area, the provisions of section 220(d)(3)(B)(iv) shall apply with respect to the nondwelling facilities which may be included in the mortgage [if the mortgagor waives the right to receive dividends on its equity investment in the portion thereof devoted to community and shopping facilities.]: *Provided further, That, in the case of a mortgage which bears interest at the below-market interest rate prescribed in the proviso of subsection (d)(5), the provisions of section 220(d)(3)(B)(iv) shall only apply if the mortgagor waives the right to receive dividends on its equity investment in the portion thereof devoted to commercial facilities.*

A property or project covered by a mortgage insured under the provisions of subsection (d)(3) or (d)(4) shall include five or more family units. The Secretary is authorized to adopt such procedures and requirements as he determines are desirable to assure that the dwelling accomodations provided under this section are available to displaced families. Notwithstanding any provision of this Act, the Secretary, in order to assist further the provision of housing for low and moderate income families, in his discretion and under such conditions as he may prescribe, may insure a mortgage which meets the requirements of subsection (d)(3) of this section as in effect after the date of enactment of the Housing Act of 1961, or which meets the requirements of subsection (h), (*i*), *or* (*j*), with no premium charge, with a reduced premium charge, or with a premium charge for such period or periods during the time the insurance is in effect as the Secretary may determine, and there is hereby authorized to be appropriated, out of any money in the Treasury not otherwise appropriated, such amounts as may be necessary to reimburse the General Insurance Fund for any net losses in connection with such insurance. No mortgage shall be insured under this section after October 1, 1969, except pursuant to a commitment to insure before that date, or except a mortgage covering property which the Secretary finds will assist in the provision of housing for displaced families. Any person who is sixty-two years of age or over, or who is a handicapped person within the meaning of section 202 of the Housing Act of 1959. shall be deemed to be a family within the meaning of the terms "family" and "families" as those terms are used in this section. Low- and moderate-income persons who are less than 62 years of age shall be eligible for occupancy of dwelling units in a project financed with a mortgage insured under subsection (d)(3), but not more than 10 per centum of the dwelling units in any such project shall be available for occupancy by such persons.

As used in this section the terms "displaced family" and "displaced families" shall mean a family or families displaced from an urban renewal area, or as a result of governmental action, or as a result of a major disaster as determined by the President pursuant to the Act entitled "An Act to authorize Federal assistance to States and local governments in major disasters, and for other purposes", approved September 30, 1950, as amended (42 U.S.C. 1855–1855g).

(g) The mortgagee shall be entitled to receive the benefits of the insurance as hereinafter provided—

(1) as to mortgages meeting the requirements of paragraph (2) of subsection (d) of this section [or] paragraph (5) of subsection (h) of this section, *or paragraph (2) of subsection (i) of this section* as provided in section 204(a) of this Act with respect to mortgages insured under section 203, and the provisions of subsections (b), (c), (d), (e), (f), (g), (h), (j), and (k) of section 204 of this Act shall be applicable to such mortgages insured under this section, except that all references therein to the Mutual Mortgage Insurance Fund or the Fund shall be construed to refer to the General Insurance Fund and all references therein to sectiou 203 shall be construed to refer to this section; or

(2) as to mortgages meeting the requirements of paragraph (3) or (4) of subsection (d) of this section, [or] paragraph (1) of subsection (h) of this section, *or paragraph (2) of subsection (j)*, as provided in sectiou 207(g) of this Act with respect to mortgages insured under said section 207, and the provisions of subsections (h), (i), (j), (k), and (l) of section 207 of this Act shall be applicable to such mortgages insured under this section; or

* * * * * * *

(h)(1) In addition to mortgages insured under the other provisions of this section, the Secretary is authorized, upon application by the mortgagee, to insure under this subsection as hereinafter provided any mortgage (including advances under such mortgage during rehabilitation) which is executed by a nonprofit organization to finance the purchase and rehabilitation of deteriorating or substandard housing for subsequent resale to low-income home purchasers and, upon such terms and conditions as the Secretary may prescribe, to make commitments for the insurance of such mortgages prior to the date of their execution or disbursement thereon.

(2) To be eligible for insurance under paragraph (1) of this subsection, a mortgage shall—

[(A) be executed by a private nonprofit corporation or association approved for purposes of this subsection by the Secretary, for the purpose of financing the purchase of property (comprising one or more tracts or parcels, whether or not contiguous) upon which there is located deteriorating or substandard housing consisting of five or more single-family dwellings of detached, semidetached, or row construction and of rehabilitating such dwellings with a view to subsequent resale as hereinafter provided;]

(A) be executed by a private nonprofit corporation or association, approved by the Secretary, for financing the purchase and rehabilitation (with the intention of subsequent resale) of property comprising one or more tracts or parcels, whether or not contiguous, upon which there is located deteriorating or substandard housing consisting of (i) four or more single-family dwellings of detached, semidetached, or row construction, or (ii) four or more one-family units in a structure or structures for which a plan of family unit ownership approved by the Secretary is established;

(B) be secured by the property which is to be purchased and rehabilitated with the proceeds thereof;

(C) be in a principal amount not exceeding the appraised value of the property at the time of its purchase under the mortgage plus the estimated cost of the rehabilitation;

(D) bear interest (exclusive of premium charges for insurance and service charge, if any) at the rate in effect under the proviso in subsection (d)(5) at the time of execution;

(E) provide for complete amortization (subject to paragraph (5)(E)) by periodic payments within such term as the Secretary may prescribe; and

(F) provide for the release of individual single family dwellings from the lien of the mortgage upon the sale of the rehabilitated dwellings in accordance with paragraph (5).

* * * * * * *

(4) The aggregate principal balance of all mortgages insured under paragraph (1) and outstanding at any one time shall not exceed [$20,000,000] *$50,000,000.*

(5)(A) No mortgage shall be insured under paragraph (1) unless the mortgagor enters into an agreement (in form and substance satisfactory to the Secretary) that it will offer to sell the dwellings involved, upon completion of their rehabilitation, to individuals or families (hereinafter referred to as "low-income purchasers") determined by the Secretary to have incomes below the maximum amount specified (with respect to the area involved) in section 101(c)(1) of the Housing and Urban Development Act of 1965.

(B) The Secretary is authorized to insure under this paragraph mortgages executed to finance the sale of individual dwellings to low-income purchasers as provided in subparagraph (A). Any such mortgage shall—

(i) be in a principal amount equal to that portion of the unpaid balance of the principal mortgage covering the property (insured under paragraph (1)) which is allocable to the individual dwelling involved; and

(ii) bear interest at the same rate as the principal mortgage *or such lower rate, not less than 1 per centum, as the Secretary may prescribe if in his judgment the purchaser's income is sufficiently low to justify the lower rate,* and provide for complete amortization [by periodic payments] within a term equal to the remaining term (determined without regard to subparagraph (E)) of such principal mortgage.

* * * * * * *

(6) In addition to the mortgages that may be insured under paragraphs (1) and (5), the Secretary is authorized to insure under this subsection, upon such terms and conditions as he may prescribe, mortgages which are executed by individuals or families that meet the income criteria prescribed in paragraph (5)(A) and are executed for the purpose of financing the rehabilitation or improvement of single-family dwellings of detached, semidetached, or row construction that are owned and occupied in each instance by a mortgagor who has purchased the dwelling from a nonprofit organization of the type described in this subsection. To be eligible for such insurance, a mortgage shall—

(A) be in a principal amount not exceeding the lesser of $15,000 or the sum of the estimated cost of repair and rehabilitation and the Secretary's estimate of the value of the property before repair and

rehabilitation, except that in no case involving refinancing shall such mortgage exceed such estimated cost of repair and rehabilitation and the amount (as determined by the Secretary) required to refinance existing indebtedness secured by the property;

(B) bear interest (exclusive of premium charges for insurance and service charge, if any) at 3 per centum per annum or such lower rate, not less than 1 per centum, as the Secretary may prescribe if in his judgment the mortgagor's income is sufficiently low to justify the lower rate;

(C) involve a mortgagor that shall have paid on account of the property at the time of the rehabilitation such amount (which shall not be less than $200 in cash or its equivalent, but which may be applied in whole or in part toward closing costs) as the Secretary may determine to be reasonable and appropriate under the circumstances; and

(D) contain a provision that if the low-income mortgagor does not continue to occupy the property, the interest rate shall increase to the highest rate permissible under this section and the regulations of the Secretary effective at the time of commitment for insurance of the mortgage, except that the increase in interest rate shall not be applicable if the property is sold and the purchaser is (i) a nonprofit organization which has been engaged in purchasing and rehabilitating deteriorating and substandard housing with financing under a mortgage insured under paragraph (1) of this subsection, (ii) a public housing agency having jurisdiction under the United States Housing Act of 1937 over the area where the dwelling is located, or (iii) a low-income purchaser approved for the purposes of this paragraph by the Secretary.

(7) Where the Secretary has approved a plan of family unit ownership, the terms "single-family dwelling", "single-family dwellings", "individual dwelling", and "individual dwellings" shall mean a family unit or family units together with the undivided interest (or interests) in the common areas and facilities.

(8) For purposes of this subsection, the terms "single-family dwelling" and "single-family dwellings" (except for purposes of paragraph (7)) shall include a two-family dwelling which has been approved by the Secretary if one of the units is to be occupied by the owner.

(i)(1) The Secretary is authorized, with respect to any project involving a mortgage insured under subsection (d)(3) which bears interest at the below-market interest rate prescribed in the proviso of subsection (d)(5), to permit a conversion of the ownership of such project to a plan of family unit ownership. Under such plan, each family unit shall be eligible for individual ownership and provision shall be included for the sale of the family units, together with an undivided interest in the common areas and facilities which serve the project, to low or moderate income purchasers. The Secretary shall obtain such agreements as he determines to be necessary to assure continued maintenance of the common areas and facilities. Upon such sale, the family unit and the undivided interest in the common areas shall be released from the lien of the project mortgage.

(2)(A) The Secretary is authorized, upon application by the mortgagee, to insure under this subsection mortgages financing the purchase of individual family units under the plan prescribed in paragraph (1). Commitments may be issued by the Secretary for the insurance of such mort-

gages prior to the date of their execution or disbursement thereon, upon such terms and conditions as the Secretary may prescribe. To be eligible for such insurance, the mortgage shall—

(i) be executed by a mortgagor having an income within the limits prescribed by the Secretary for occupants of projects financed with a mortgage insured under subsection (d)(3) which bears interest at the below-market rate prescribed in the proviso of subsection (d)(5);

(ii) involve a principal obligation (including such initial service charges, and such appraisal, inspection, and other fees, as the Secretary shall approve) in an amount not to exceed the Secretary's estimate of the appraised value of the family unit, including the mortgagor's interest in the common areas and facilities, as of the date the mortgage is accepted for insurance;

(iii) bear interest at a rate determined by the Secretary (which may vary in accordance with the regulations of the Secretary promulgated pursuant to the last sentence of paragraph (4) of this subsection) but not less than the below-market rate in effect under the proviso of subsection (d)(5) at the date of the commitment for insurance; and

(iv) provide for complete amortization by periodic payments within such term as the Secretary may prescribe, but not to exceed the lesser of forty years from the beginning of amortization of the mortgage or three-quarters of the Secretary's estimate of the remaining economic life of the building improvements.

(B) The price for which the individual family unit is sold to the low or moderate income purchaser shall not exceed the appraised value of the property, as determined under subparagraph (A)(ii), except that the purchaser shall be required to pay on account of the property at the time of purchase at least such amount, in cash or its equivalent (which shall be not less than 3 per centum of such price, but which may be applied in whole or in part toward closing costs), as the Secretary may determine to be reasonable and appropriate.

(3) Upon the sale of all of the family units covered by the project mortgage, and the release of all of the family units (including the undivided interest allocable to each unit in the common areas and facilities) from the lien of the project mortgage, the insurance of the project mortgage shall be terminated and no adjusted premium charge shall be collected by the Secretary upon such termination.

(4) Any mortgage covering an individual family unit insured under this subsection shall contain a provision that, if the original mortgagor does not continue to occupy the property, the interest rate shall increase to the highest rate permissible under this section and the regulations of the Secretary effective at the time the commitment was issued for the insurance of the project mortgage; except that the requirement for an increase in interest rate shall not be applicable if the property is sold and the purchaser is (i) a nonprofit purchaser approved by the Secretary, or (ii) a low or moderate income purchaser who has an income within the limits prescribed by the Secretary for occupants of projects financed with a mortgage insured under subsection (d)(3) which bears interest at the below-market rate prescribed in the proviso of subsection (d)(5). The mortgage shall also contain a provision that, if the Secretary determines that the annual income of the original mortgagor (or a purchaser described in clause (ii) of the preceding sentence) has increased to an amount enabling payment of a greater rate of interest, the interest rate of the individual mortgage may be increased up

to the highest rate permissible under the regulations of the Secretary for mortgages insured under this section effective at the time the commitment was issued for the insurance of the mortgage.

(5) For the purpose of this subsection—

(i) the term "mortgage", when used in relation to a mortgage insured under paragraph (2) of this subsection, includes a first mortgage given to secure the unpaid purchase price of a fee interest in, or a long-term lease-hold interest in, a one-family unit in a multifamily project and an undivided interest in the common areas and facilities which serve the project; and

(ii) the term "common areas and facilities" includes the land and such commercial, community, and other facilities as are approved by the Secretary.

(j)(1) The Secretary is authorized, with respect to any rental project involving a mortgage insured under subsection (d)(3) which bears interest at the below-market interest rate prescribed in the proviso of subsection (d)(5), to permit a conversion of the ownership of such project to a cooperative approved by the Secretary. Membership in such cooperative shall be made available only to those families having an income within the limits prescribed by the Secretary for occupants of projects financed with a mortgage insured under subsection (d)(3) which bears interest at such below-market rate: Provided, That families residing in the rental project at the time of its conversion to a cooperative who do not meet such income limits may be permitted to become members in the cooperative under such special terms and conditions as the Secretary may prescribe.

(2) The Secretary is authorized, upon application by the mortgagee, to insure under this subsection cooperative mortgages financing the purchase of projects meeting the requirements of paragraph (1). Commitments may be issued by the Secretary for the insurance of such mortgages prior to the date of their execution or disbursement thereon, upon such terms and conditions as the Secretary may prescribe. To be eligible for such insurance, the mortgage shall—

(i) involve a principal obligation (including such initial service charges and appraisal, inspection, and other fees as the Secretary shall approve) in an amount not exceeding the appraised value of the property for continued use as a cooperative, which value shall be based upon a mortgage amount on which the debt service can be met from the income of the property when operated on a nonprofit basis, after the payment of all operating expenses, taxes, and required reserves;

(ii) bear interest at the below-market rate prescribed in the proviso of subsection (d)(5); and

(iii) provide for complete amortization within such term as the Secretary may prescribe.

MORTGAGE INSURANCE FOR SERVICEMEN

SEC. 222. (a) The purpose of this section is to aid in the provision of housing accommodations for servicemen in the Armed Forces of the United States and their families, and servicemen in the United States Coast Guard and their families, by supplementing the insurance of mortgages under section 203 of this title with a system of mortgage insurance specially designed to assist the financing required for the construction or purchase of dwellings by those persons. As used in

this section, a "serviceman" means a person to whom the Secretary of Defense (or any officer or employee designated by him), or the Secretary of Transportation (or any officer or employee designated by him), as the case may be, has issued a certificate hereunder indicating that such person requires housing, is serving on active duty in the Armed Forces of the United States or in the United States Coast Guard and has served on active duty for more than two years, but a certificate shall not be issued hereunder to any person ordered to active duty for training purposes only. The Secretary of Defense and the Secretary of Transportation, respectively, are authorized to prescribe rules and regulations governing the issuance of such certificates and may withhold issuance of more than one such certificate to a serviceman whenever in his discretion issuance is not justified due to circumstances resulting from military assignment, or, in the case of the United States Coast Guard, other assignment.

(b) To be eligible for insurance under this section a mortgage shall—

(1) meet the requirements of section 203(b) or 203(i), or 221 (d)(2), except as such requirements are modified by this section;

(2) involve a principal obligation (including such initial service charges, appraisal, inspection, and other fees as the Secretary shall approve) in an amount not to exceed $30,000, except that in the case of a mortgage meeting the requirements of section 203(i) or section 221(d)(2) such principal obligation shall not exceed the maximum limits prescribed for such section;

(3) have a principal obligation not in excess of the sum of (i) 97 per centum of $15,000 of the appraised value of the property as of the date the mortgage is accepted for insurance, (ii) 90 per centum of such value in excess of $15,000 but not in excess of $20,000, and (iii) 85 per centum of such value in excess of $20,000; and

(4) be executed by a mortgagor who at the time of application for insurance is certified as a "serviceman" and who at the time of insurance is the owner of the property and either occupies the property or certifies that his failure to do so is the result of his military assignment, or, in the case of the United States Coast Guard, other assignment.

(c) The Secretary may prescribe the manner in which a mortgage may be accepted for insurance under this section. Premiums fixed by the Secretary under section 203 with respect to, or payable during, the period of ownership by a serviceman of the property involved shall not be payable by the mortgage but shall be paid not less frequently than once each year, upon request of the Secretary to the Secretary of Defense or the Secretary of Transportation, as the case may be, from the respective appropriations available for pay and allowances of persons eligible for mortgage insurance under this section. As used herein,"the period of ownership by a serviceman" means the period, for which premiums are fixed, prior to the date that the Secretary of Defense (or any officer or employee or other person designated by him) or the Secretary of Transportation (or any officer or employee or other person designated by him), as the case may be, furnishes the Secretary with a certification that such ownership (as defined by the Secretary) has terminated.

(d) Any mortgagee under a mortgage insured under this section is entitled to the benefits of the insurance as provided in section 204(a) with respect to mortgages insured under section 203.

(e) The provisions of subsections (b), (c), (d), (e), (f), (g), (h), (j), and (k) of section 204 shall apply to mortgages insured under this section, except that as applied to those mortgages (1) all references to the "Fund," or "Mutual Mortgage Insurance Fund," shall refer to the General Insurance Fund, and (2) all references to "section 203" shall refer to this section.

(f) The Secretary is authorized to transfer to this section the insurance on any mortgage covering a single-family dwelling or a one-family unit in a condominium project insured under this Act, if the mortgage indebtedness thereof has been assumed by a serviceman who at the time of assumption is the owner of the property and either occupies the property or certifies that his failure to do so is the result of his military assignment, or, in the case of the United States Coast Guard, other assignment.

(g) Where a serviceman dies while on active duty in the Armed Forces of the United States or in the United States Coast Guard, leaving a surviving widow as owner of the property, the period of ownership by the serviceman (within the meaning of subsection (c) of this section) shall extend for two years beyond the date of the serviceman's death or until the date the widow disposes of the property, whichever date occurs first. The Secretary of Defense or the Secretary of Transportation, as the case may be, shall notify such widow promptly following the serviceman's death of the additional costs to be borne by the mortgagor following termination of the two-year period.

MISCELLANEOUS HOUSING INSURANCE

SEC. 223. (a) [Notwithstanding any of the provisions of this title, and without regard to limitations upon eligibility contained in section 203, 207, 213, 220, 221, 222, 231, 232, 233 the Secretary is authorized, upon application by the mortgagee, to insure or make commitments to insure under section 203, 207, 213, 220, 221, 222, 231, 232, or 233 of this title any mortgage] *Notwithstanding any of the provisions of this Act and without regard to limitations upon eligibility contained in any section or title of this Act, the Secretary is authorized, upon application by the mortgagee, to insure or make commitments to insure under any section or title of this Act any mortgage—*

(1) executed in connection with the sale by the Government, or any agency or official thereof, of any housing acquired or constructed under Public Law 849, Seventy-sixth Congress, as amended; Public Law 781, Seventy-sixth Congress, as amended; or Public Laws 9, 73, or 353, Seventy-seventh Congress, as amended (including any property acquired, held, or constructed in connection with such housing or to serve the inhabitants thereof); or

* * * * * * *

(7) given to refinance an existing mortgage insured under this Act: *Provided*, That the principal amount of any such refinancing mortgage shall not exceed the original principal amount or the unexpired term of such existing mortgage and shall bear interest at a rate not in excess of the maximum rate [applicable to loans insured under section 203, 207, 213, 220, 221, 222, 231, 232, or 233, as the case may be] *prescribed under the applicable section or title of this Act*, except that in any case involving the refinancing of a

loan in which the Secretary determines that the insurance of a mortgage for an additional term will inure to the benefit of the applicable insurance fund, taking into consideration the outstanding insurance liability under the existing insured mortgage, such refinancing mortgage may have a term not more than twelve years in excess of the unexpired term of such existing insured mortgage: *Provided further,* That a mortgage of the character described in paragraphs (1) through (6) of this subsection shall have a maturity, a principal obligation, and an interest rate not in excess of the maximums [applicable to loans insured under section 203, 207, 213, 220, 221, 222, 231, 232, or 233, as the case may be] *prescribed under the applicable section or title of this Act,* except that in no case may the principal obligation of a mortgage referred to in paragraph (5) of this subsection exceed 90 per centum of the appraised value of the mortgaged property; or

(8) executed in connection with the sale by the Government of any housing acquired pursuant to section 1013 of the Demonstration Cities and Metropolitan Development Act of 1966.

(b) Notwithstanding any of the provisions of this title and without regard to limitations upon eligibility contained in section 221, the Secretary may in his discretion insure under section 221(d)(3) any mortgage executed by a mortgagor of the character described therein where such mortgage is given to refinance a mortgage covering an existing property or project (other than a one- to four-family structure) located in an urban renewal area, if the Secretary finds that such insurance will facilitate the occupancy of dwelling units in the property or project by families of low or moderate income or families displaced from an urban renewal area or displaced as a result of governmental action.

(c) The Secretary shall also have authority to insure under this [title] *Act* any mortgage assigned to him in connection with payment under a contract of mortgage insurance or executed in connection with the sale by him of any property acquired under [title I, title II, title VI, title VII, title VIII, or title IX] *any section or title of this Act* without regard to any limitations or requirements contained in this [title] *Act* upon the eligibility of the mortgage, upon the payment of insurance premiums, or upon the terms and conditions of insurance settlement and the benefits of the insurance to be included in such settlement [(except that in any case the payment of insurance shall be in debentures)].

(d) With respect to any mortgage, other than a mortgage covering a one- to four-family structure, heretofore or hereafter insured by the Secretary, and notwithstanding any other provision of this Act, when the taxes interest on the mortgage debt mortgage insurance premiums, hazard insurance premiums, and the expense of maintenance and operation of the project covered by such mortgage during the first two years following the date of completion of the project, as determined by the Secretary exceed the project income, the Secretary may, in his discretion and upon such terms and conditions as he may prescribe, [permit the excess of the foregoing expenses over the project income to be added to the amount of such mortgage, and extend the coverage of the mortgage insurance thereto and such additional amount shall be deemed to be part of the original face amount of the mortgage.] *insure under the same section as the original*

mortgage a loan by the mortgagee in an amount not exceeding the excess of the foregoing expenses over the project income. Such loan shall (1) bear interest (exclusive of premium charges for insurance) at not to exceed the per centum per annum currently permitted for mortgages insured under the section under which it is to be insured, (2) be secured in such manner as the Secretary shall require, and (3) be limited to a term not exceeding the unexpired term of the original mortgage. The Secretary is authorized to collect a premium charge for insurance of loans pursuant to this subsection in an amount computed at the same premium rate as is applicable to the original mortgage. This premium shall be payable in cash or in debentures of the insurance fund under which the loan is insured at par plus accrued interest. In the event of a failure of the borrower to make any payment due under such loan or under the original mortgage, both the loan and original mortgage shall be considered in default, and if such default continues for a period of thirty days, the lender shall be entitled to insurance benefits, computed in the same manner as for the original mortgage, except that in determining the interest rate under section 224 for the debentures representing the portion of the claim applicable to the loan, the date of the commitment to insure the loan and the insurance date of the loan shall be taken into consideration rather than the commitment or insurance date for the original mortgage.

(e) Notwithstanding any of the provisions of this title except section 212, and without regard to limitations upon eligibility contained in any section of this title, the Secretary is authorized, upon application by the mortgagee, to insure under any section of this title a mortgage executed in connection with the repair, rehabilitation, construction, or purchase of property located in an older, declining urban area in which the conditions are such that one or more of the eligibility requirements applicable to the section of this title under which insurance is sought could not be met, if the Secretary finds that (1) the area is reasonably viable, giving consideration to the need for providing adequate housing for families of low and moderate income in such area, and (2) the property is an acceptable risk in view of such consideration. The insurance of a mortgage pursuant to this subsection shall be the obligation of the Special Risk Insurance Fund.

DEBENTURE INTEREST RATE

SEC. 224. Notwithstanding any other provisions of this Act, debentures issued under any section of this Act with respect to a loan or mortgage accepted for insurance on or after thirty days following the effective date of the Housing Act of 1954 (except debentures issued pursuant to paragraph (4) of section 221(g)) shall bear interest at the rate in effect on the date the commitment to insure the loan or mortgage was issued, or the date the loan or mortgage was endorsed for insurance, or (when there are two or more insurance endorsements) the date the loan or mortgage was initially endorsed for insurance, whichever rate is the highest, except that debentures issued pursuant to section 220(f), section 220(h)(7), section 221(g), [or section 233] *section 233, or section 238* may, at the discretion of the Secretary, bear interest at the rate in effect on the date they are issued.

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APPRAISAL AVAILABLE TO HOME BUYERS

SEC. 226. The Secretary is hereby authorized and directed to require that, in connection with any property upon which there is located a dwelling designed principally for a single-family residence or a two-family residence and which is approved for mortgage insurance under section 203, 213 with respect to any property or project of a corporation or trust of the character described in paragraph numbered (2) of subsection (a) thereof, 220, 221, 222, 233, 234, *235(i)*, *237*, or 903, of this Act, the seller or builder or such other person as may be designated by the Secretary shall agree to deliver, prior to the sale of the property, to the person purchasing such dwelling for his own occupancy, a written statement setting forth the amount of the appraised value of the property as determined by the Secretary. This section shall not apply in any case where the mortgage involved was insured or the commitment for such insurance was issued prior to the effective date of the Housing Act of 1954. Notwithstanding the first sentence of this section, the Secretary is authorized to require, in connection with any mortgage where the mortgage amount is computed on the basis of the Secretary's estimate of the replacement cost of the property, or on the basis of any other estimates of the Secretary, that a written statement setting forth such estimate or estimates, as the case may be, be furnished under this section in lieu of a written statement setting forth the amount of the appraised value of the property.

BUILDER'S COST CERTIFICATION

SEC. 227. Notwithstanding any other provision of this Act, no mortgage covering new or rehabilitated multifamily housing or a property or project described in title XI shall be insured under this Act unless the mortgagor has agreed (a) to certify, upon completion of the physical improvements on the mortgaged property or project and prior to final endorsement of the mortgage, either (i) that the approved percentage of actual cost (as those terms are herein defined) equaled or exceeded the proceeds of the mortgage loan or (ii) the amount by which the proceeds of the mortgage loan exceeded such approved percentage of actual cost, as the case may be, and (b) to pay forthwith to the mortgagee, for application to the reduction of the principal obligation of such mortgage, the amount, if any, certified to be in excess of such approved percentage of actual cost. Upon the Secretary's approval of the mortgagor's certification as required hereunder, such certification shall be final and incontestable, except for fraud or material misrepresentation on the part of the mortgagor. As used in this section—

(a) The term "new or rehabilitated multifamily housing" means a project or property approved for mortgage insurance prior to the construction or the repair and rehabilitation involved and covered by a mortgage insured or to be insured (i) under section 207, (ii) under section 213 with respect to any property or project of a corporation or trust of the character described in paragraph numbered (1) of subsection (a) thereof or with respect to any property or project of a mortgagor of the character described in paragraph (3) of subsection (a) thereof, (iii) under section 220 if the mortgage meets the require-

ments of paragraph (3)(B) of subsection (d) thereof, (iv) under section 221 if the mortgage meets the requirements of paragraph (3) or paragraph (4) of subsection (d) thereof, (v) under section 231, (vi) under section 233 if the mortgage meets the requirements of subsection (b), (vii) under section 810 if the mortgage meets the requirements of subsection (f), [or] (viii) under section 234(d), or (ix) under section 236;

(b) The term "approved percentage" means the percentage figure which, under applicable provisions of this Act, the Secretary is authorized to apply to his estimate of value, cost, or replacement cost, as the case may be, of the property of project in determining the maximum insurable mortgage amount; except that if the mortgage is to assist the financing of repair or rehabilitation and no part of the proceeds will be used to finance the purchase of the land or structure involved, the approved percentage shall be 100 per centum; and

(c) The term "actual cost" has the following meaning: (i) in case the mortgage is to assist the financing of new construction, the term means the actual cost to the mortgagor of such construction, including amounts paid for labor, materials, construction contracts, off-site public utilities, streets, organizational and legal expenses, such allocations of general overhead items as are acceptable to the Secretary, and other items of expense approved by the Secretary, plus (1) a reasonable allowance for builder's profit if the mortgagor is also the builder as defined by the Secretary, and (2) an amount equal to the Secretary's estimate of the fair market value of any land (prior to the construction of the improvements built as a part of the project) in the property or project owned by the mortgagor in fee (or, in case the land in the property or project is held by the mortgagor under a leasehold or other interest less than a fee, such amount as the mortgagor paid for the acquisition of such leasehold or other interest but, in no event, in excess of the fair market value of such leasehold or other interest exclusive of the proposed improvements), but excluding the amount of any kickbacks, rebates, or trade discounts received in connection with the construction of the improvements, or (ii) in case the mortgage is to assist the financing of repair or rehabilitation, the term means the actual cost to the mortgagor of such repair or rehabilitation, including the amounts paid for labor, materials, construction contracts, off-site public utilities, streets, organization and legal expenses, such allocations of general overhead items as are acceptable to the Secretary, and other items of expense approved by the Secretary, plus (1) a reasonable allowance for builder's profit if the mortgagor is also the builder as defined by the Secretary, and (2) an additional amount equal to (A) in case the land and improvements are to be acquired by the mortgagor and the purchase price thereof is to be financed with part of the proceeds of the mortgage, the purchase price of such land and improvements prior to such repair or rehabilitation, or (B) in case the land and improvements are owned by the mortgagor subject to an outstanding indebtedness to be refinanced with part of the proceeds of the mortgage, the amount of such outstanding indebtedness secured by such land and improvements, but excluding (for the purposes of this clause (ii) the amount of any kickbacks, rebates, or trade discounts received in connection with the construction of the improvements: *Provided*, That such additional amount under (A) of this clause (ii) shall in no event exceed the

Secretary's estimate of the fair market value of such land and improvements prior to such repair or rehabilitation, and such additional amount under (B) of this clause (ii) shall in no event exceed the approved percentage of the Secretary's estimate of the fair market value of such land and improvements prior to such repair or rehabilitation. In the case of a mortgage insured under section 220, section 221(d)(3), section 221(d)(4), section 231, [or section 233 (b)(2)] *section 233, or section 236*, where the mortgagor is also the builder as defined by the Secretary, there shall be included in the actual cost, in lieu of the allowance for builder's profit under clause (i) or (ii) of the preceding sentence, an allowance for builder's and sponsor's profit and risk of 10 per centum (unless the Secretary, after finding that such allowance is unreasonable, shall by regulation prescribe a lesser percentage) of all other items entering into the term "actual cost" except land or amounts paid for a leasehold and amounts included under either (A) or (B) of clause (ii) of the preceding sentence. In the case of a mortgage insured under section 220, section 221(d)(3), section 221(d)(4), section 231, [or section 233(b)(2)] *section 233, or section 236*, where the mortgagor is not also the builder as defined by the Secretary, there shall be included in the actual cost an allowance for sponsor's profit and risk of the said 10 per centum or lesser percentage of all other items entering into the term "actual cost" except land or amounts paid for a leasehold, amounts included under either (A) or (B) of the said clause (ii), and amounts paid by the mortgagor under a general construction contract.

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MORTGAGE INSURANCE FOR NURSING HOMES

SEC. 232. (a) * * *

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(b) For the purposes of this section—

(1) the term "nursing home" means a proprietary facility, or facility of a private nonprofit corporation or association licensed or regulated by the State (or, if there is no State law providing for such licensing and regulation by the State, by the municipality or other political subdivision in which the facility is located), for the accommodation of convalescents or other persons who are not acutely ill and not in need of hospital care but who require skilled nursing care and related medical services, in which such nursing care and medical services are prescribed by, or are performed under the general direction of, persons licensed to provide such care or services in accordance with the laws of the State where the facility is located; and

[(2) the terms "mortgage" and "mortgagor" shall have the meanings respectively set forth in section 207(a) of this Act.]

(2) the term "mortgage" means a first mortgage on real estate in fee simple, or on the interest of either the lessor or lessee thereof (A) under a lease for not less than ninety-nine years which is renewable, or (B) under a lease having a period of not less than fifty years to run from the date the mortgage was executed. The term "first mortgage" means such classes of first liens as are commonly given to secure advances (including but not limited to advances

during construction) on, or the unpaid purchase price of, real estate under the laws of the State in which the real estate is located, together with the credit instrument or instruments, if any, secured thereby, and any mortgage may be in the form of one or more trust mortgages or mortgage indentures or deeds of trust, securing notes, bonds, or other credit instruments, and, by the same instrument or by a separate instrument, may create a security interest in initial equipment, whether or not attached to the realty. The term "mortgagor" shall have the meaning set forth in section 207(a) of this Act.

(c) The Secretary is authorized to insure any mortgage (including advances on such mortgages during construction) in accordance with the provisions of this section upon such terms and conditions as he may prescribe and to make commitments for insurance of such mortgage prior to the date of its execution or disbursement thereon.

(d) [In order to carry out the purpose of this section, the Secretary is authorized to insure any mortgage which covers a new or rehabilitated nursing home, subject to the following conditions:] *In order to carry out the purposes of this section, the Secretary is authorized to insure any mortgage which covers a new or rehabilitated nursing home, including equipment to be used in its operation, subject to the following conditions:*

(1) The mortgage shall be executed by a mortgagor approved by the Secretary. The Secretary may in his discretion require any such mortgagor to be regulated or restricted as to charges and methods of financing, and, in addition thereto, if the mortgagor is a corporate entity, as to capital structure and rate of return. As an aid to the regulation or restriction of any mortgagor with respect to any of the foregoing matters, the Secretary may make such contracts with and acquire for not to exceed $100 such stock or interest in such mortgagor as he may deem necessary. Any stock or interest so purchased shall be paid for out of the General Insurance Fund, and shall be redeemed by the mortgagor at par upon the termination of all obligations of the Secretary under the insurance.

(2) The mortgage shall involve a principal obligation in an amount not to exceed $12,500,000, and not to exceed 90 per centum of the estimated value of the property or project [when the proposed improvements are completed], *including equipment to be used in the operation of the nursing home, when the proposed improvements are completed and the equipment is installed.*

(3) The mortgage shall—

(A) provide for complete amortization by periodic payments within such terms as the Secretary shall prescribe; and

(B) bear interest (exclusive of premium charges for insurance) at not to exceed 5 per centum per annum of the amount of the principal obligation outstanding at any time, or not to exceed such per centum per annum not in excess of 6 per centum as the Secretary finds necessary to meet the mortgage market.

(4) The Secretary shall not insure any mortgage under this section unless he has received, from the State agency designated in accordance with section 612(a)(1) of the Public Health Service Act for the State in which is located the nursing home covered

by the mortgage, a certification that (1) there is a need for such nursing home, and (2) there are in force in such State or other political subdivision of the State in which the proposed nursing home would be located reasonable minimum standards of licensure and methods of operation for nursing homes. No such mortgage shall be insured under this section unless the Secretary has received such assurance as he may deem satisfactory from the State agency that such standards will be applied and enforced with respect to any nursing home located in the State for which mortgage insurance is provided under this section.

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EXPERIMENTAL HOUSING

SEC. 233. (a)(*1*) In order to assist in lowering housing costs and improving housing standards, quality, livability, or durability or neighborhood design through the utilization of advanced housing technology, or experimental property standards, the Secretary is authorized to insure and to make commitments to insure, under this section, mortgages (including home improvement loans, and including advances on mortgages during construction) secured by properties including dwellings involving the utilization and testing of advanced technology in housing design, materials, or construction, or experimental property standards for neighborhood design if the Secretary determines that [(1)] (*A*) the property is an acceptable risk, giving consideration to the need for testing advanced housing technology or experimental property standards, [(2)] (*B*) the utilization and testing of the advanced technology or experimental property standards involved will provide data or experience which the Secretary deems to be significant in reducing housing costs or improving housing standards, quality, livability, or durability, or improving neighborhood design, and [(3)] (*C*) the mortgages are eligible for insurance under the provisions of this section and under any further terms and conditions which may be prescribed by the Secretary to establish the acceptability of the mortgages for insurance.

(*2*) *The Secretary is further authorized to insure and to make commitments to insure, under this section, mortgages (including advances on mortgages during construction) secured by properties in projects to be carried out in accordance with plans approved by the Secretary under section 108 of the Housing and Urban Development Act of 1968.*

(b) To be eligible for insurance under this section, a mortgage shall meet the requirements of one of the other sections [of this title] *or titles of this Act*; except that, in lieu of determining the appraised value or the replacement cost of the property in cases involving new construction or the estimated cost of repair and rehabilitation or improvement in cases involving existing properties, the Secretary shall estimate the cost of replacing the property using comparable conventional design, materials, and construction, and any limitation upon the maximum mortgage amount available to a nonoccupant owner shall not, in the discretion of the Secretary, be applicable to mortgages insured under this section.

(c) The Secretary may enter into such contracts, agreements, and financial undertakings with the mortgagor and others as he deems necessary or desirable to carry out the purposes of this section, and

may expend available funds for such purposes, including the correction (when he determines it necessary to protect the occupants), at any time subsequent to insurance of a mortgage, of defects or failures in the dwellings which the Secretary finds are caused by or related to the advanced housing technology utilized in their design or construction or experimental property standards. *Any authority which the Secretary may exercise in connection with a mortgage, or property covered by a mortgage, insured under any other section of this title (including payments to reduce rentals for, or to facilitate home ownership by, lower income families) may be exercised in connection with a mortgage, or property covered by a mortgage, meeting the requirements of such other section (except as specified in subsection (b)), which is insured under this section to the same extent and in the same manner as if the mortgage insured under this section was insured under such other section.*

(d) The Secretary may make such investigations and analyses of data, and publish and distribute such reports, as he determines to be necessary or desirable to assure the most beneficial use of the data and information to be acquired as a result of this section.

(e) Any mortgagee or lender under a mortgage insured under subsection (b) shall be entitled to insurance benefits determined in the same manner as such benefits would be determined if such mortgage or loan were insured under the section [of this title] *or title of this Act* for which it otherwise would have been eligible except for the experimental feature of the property involved.

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MORTGAGE INSURANCE FOR CONDOMINIUMS

SEC. 234. (a) * * *

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(c) The Secretary is authorized, in his discretion and under such terms and conditions as he may prescribe (including the minimum number of family units in the project which shall be offered for sale and provisions for the protection of the consumer and the public interest), to insure any mortgage covering a one-family unit in a multifamily project and an undivided interest in the common areas and facilities which serve the project if (1) the mortgage meets the requirements of this subsection and of section 203(b), except as that section is modified by this subsection, (2) the project is or has been covered by a mortgage insured under any section (except section 213(a)(1) and (2) of this Act, notwithstanding any requirements in any such section that the project be constructed or rehabilitated for the purpose of providing [rental housing, and (3) *rental housing: Provided, That a one-family unit in a multifamily project involving eleven or less units shall be eligible for insurance without having been covered by a project mortgage, and (3)* the mortgagor is acquiring, or has acquired, a family unit covered by a mortgage insured under this subsection for his own use and occupancy and will not own more than four one-family units covered by mortgages insured under this subsection. Any project proposed to be constructed or rehabilitated after the date of enactment of the Housing Act of 1961 with the assistance of mortgage insurance under this Act, where the sale of family units

is to be assisted with mortgage insurance under this subsection, shall be subject to such requirements as the Secretary may prescribe. To be eligible for insurance pursuant to this subsection, a mortgage shall (A) involve a principal obligation in an amount not to exceed $30,000, and not to exceed the sum of (i) 97 per centum of $15,000 of the amount which the Secretary estimates will be the appraised value of the family unit including common areas and facilities as of the date the mortgage is accepted for insurance, (ii) 90 per centum of such value in excess of $15,000 but not in excess of $20,000, and (iii) [75] *80* per centum of such value in excess of $20,000, and (B) have a maturity satisfactory to the Secretary, but not to exceed, in any event, thirty-five years from the date of the beginning of amortization of the mortgage or three-fourths of the Secretary's estimate of the remaining economic life of the project, whichever is the lesser. In determining the amount of a mortgage in the case of a nonoccupant mortgagor the reference to paragraph (2) of section 203(b) in section 203(b)(8) shall be construed to refer to the preceding sentence in this subsection. The mortgage shall contain such provisions as the Secretary determines to be necessary for the maintenance of common areas and facilities and the multifamily project. The mortgagor shall have exclusive right to the use of the one-family unit covered by the mortgage and, together with the owners of other units in the multifamily project, shall have the right to the use of the common areas and facilities serving the project and the obligation of maintaining all such common areas and facilities. The Secretary may require that the rights and obligations of the mortgagor and the owners of other dwelling units in the project shall be subject to such controls as he determines to be necessary and feasible to promote and protect individual owners, the multifamily project and its occupants. For the purposes of this subsection, the Secretary is authorized in his discretion and under such terms and conditions as he may prescribe to permit one-family units and interests in common areas and facilities in multifamily projects covered by mortgages insured under any section of this Act (other than section 213(a) (1) and (2) to be released from the liens of those mortgages.

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(f) Any blanket mortgage insured under subsection (d) shall provide for complete amortization by periodic payments within such terms as the Secretary may prescribe but not to exceed forty years from the beginning of amortization of the mortgage, and shall bear interest (exclusive of premium charges for insurance) at not to exceed 5¼ per centum per annum on the amount of the principal obligation outstanding at any time. The Secretary may consent to the release of a part or parts of the mortgaged property from the lien of the blanket mortgage upon such terms and conditions as he may prescribe and the blanket mortgage may provide for such release. The project covered by the blanket mortgage may include [five] *four* or more family units and such commercial and community facilities as the Secretary deems adequate to serve the occupants.

(g) Any mortgagee under a mortgage insured under subsection (c) of this section is entitled to receive the benefits of the insurance as provided in section 204(a) of this Act with respect to mortgages in-

sured under section 203, and the provisions of subsections (b), (c), (d), (e), (f), (g), (h), (j), and (k) of section 204 shall be applicable to the mortgages insured under subsection (c) of this section, except that (1) all references in section 204 of the Mutual Mortgage Insurance Fund or the Fund shall be construed to refer to the General Insurance Fund, (2) all references therein to section 203 shall be construed to refer to subsection (c) of this section, and (3) the excess remaining, referred to in section 204(f)(1), shall be retained by the Secretary and credited to the General Insurance Fund.

(h) The provisions of subsections (d), (e), (g), (h), (i), (j), (k), (l), and (n) of section 207 shall be applicable to mortgages insured under subsection (d) of this section.

(i) The provisions of sections 225 and 230 shall be applicable to the mortgages insured under subsection (c) of this section.

HOMEOWNERSHIP FOR LOW AND MODERATE INCOME FAMILIES

SEC. 235. (a) For the purpose of assisting low and moderate income families in acquiring homeownership or in acquiring membership in a cooperative association operating a housing project, the Secretary is authorized to make, and to contract to make, periodic assistance payments on behalf of such homeowners and cooperative members. The assistance shall be accomplished through payments to mortgagees holding mortgages meeting the special requirements specified in this section.

(b) To qualify for assistance payments, the homeowner or the cooperative member shall be of low or moderate income and satisfy eligibility requirements prescribed by the Secretary, and—

(1) the homeowner shall be a mortgagor under a mortgage which meets the requirements of and is insured under subsection (i) or (j)(4) of this section: Provided, That a mortgage meeting the requirements of subsection (i)(3)(A) of this section but insured under section 237 may qualify for assistance payments if such mortgage was executed by a mortgagor who is determined not to be an acceptable credit risk for mortgage insurance purposes (but otherwise eligible) under subsection (j)(4) of this section or under section 221 (d)(2) or 234(c) and accepted as a reasonably satisfactory credit risk under section 237; or

(2) the cooperative association of which the family is a member shall operate a housing project the construction or substantial rehabilitation of which has been financed with a mortgage insured under section 213 and which has been completed within two years prior to the filing of the application for assistance payments and the dwelling unit has had no previous occupant other than the family: Provided, That assistance payments may be made with respect to a dwelling unit in an existing cooperative project which meets such standards as the Secretary may prescribe: Provided further, that a preference shall be given in contracting to make periodic assistance payments under this section to a family which qualifies as a displaced family as defined in section 221(f), or a family which includes five or more minor persons, or a family occupying low-rent public housing: Provided further, That the amount of the mortgage attributable to the dwelling unit shall involve a principal obligation not in excess of $15,000 ($17,500 in any geographical area where the Secretary authorizes an increase on the basis of a finding that cost

levels so require), except that with respect to any family with five or more persons the foregoing limits shall be $17,500 and $20,000, respectively.

(c) The assistance payments to a mortgagee by the Secretary on behalf of a mortgagor shall be made during such time as the mortgagor shall continue to occupy the property which secures the mortgage: Proivided, That assistance payments may be made on behalf of a homeowner who assumes a mortgage insured under subsection (j)(4) with respect to which assistance payments have been made on behalf of the previous owner, if the homeowner is approved by the Secretary as eligible for receiving such assistance. The payment shall be in an amount not exceeding the lesser of—

(1) the balance of the monthly payment for principal, interest, taxes, insurance, and mortgage insurance premium due under the mortgage remaining unpaid after applying 20 per centum of the mortgagor's income: Provided, That, in determining a mortgagor's income for the purposes of this paragraph, there shall be deducted an amount equal to $200 for each minor person who is a member of the immediate family of, and living with, the mortgagor, and the earnings of any such minor person shall not be included in the income of such mortgagor; or

(2) the difference between the amount of the monthly payment for principal, interest, and mortgage insurance premium which the mortgagor is obligated to pay under the mortgage and the monthly payment for principal and interest which the mortgagor would be obligated to pay if the mortgage were to bear interest at the rate of 1 per centum per annum.

(d) Assistance payments to a mortgagee by the Secretary on behalf of a family holding membership in a cooperative associatiou operating a housing project shall be made only during such time as the family is an occupant of such project and shall be in amounts computed on the basis of the formula set forth in subsection (c) applying the cooperative member's proportionate share of the obligations under the project mortgage to the items specified in the formula.

(e) The Secretary may include in the payment to the mortgagee such amount, in addition to the amount computed under subsection (c), (d), or (j) (7), as he deems appropriate to reimburse the mortgagee for its expenses in handling the mortgage.

(f) Procedures shall be adopted by the Secretary for recertifications of the mortgagor's (or cooperative member's) income at intervals of two years (or at shorter intervals where the Secretary deems it desirable) for the purpose of adjusting the amount of such assistance payments within the limits of the formula described in subsection (c).

(g) The Secretary shall prescribe such regulations as he deems necessary to assure that the sales price of, or other consideration paid in connection with, the purchase by a homeowner of the property with respect to which assistance payments are to be made is not increased above the appraised value on which the maximum mortgage which the Secretary will insure is computed.

(h) There are authorized to be appropriated such sums as may be necessary to carry out the provisions of this section, including such sums as may be necessary to make the assistance paymehts under contracts entered into under this section. The aggregate amount of contracts to

make such payments shall not exceed amounts approved in appropriation Acts, and payments pursuant to such contracts shall not exceed $75,000,000 per annum prior to July 1, 1969, which maximum dollar amount shall be increased by $100,000,000 on July 1, 1969, and by $125,000,000 on July 1, 1970.

(i) (1) The Secretary is authorized, upon application by the mortgagee, to insure a mortgage executed by a mortgagor who meets the eligibility requirements for assistance payments prescribed by the Secretary under subsection (b). Commitments for the insurance of such mortgages may be issued by the Secretary prior to the date of their execution or disbursement thereon, upon such terms and conditions as the Secretary may prescribe.

(2) To be eligible for insurance under this subsection, a mortgage shall meet the requirements of section 221 (d) (2) or 234 (c), except as such requirements are modified by this subsection.

(3) A mortgage to be insured under this subsection shall—

(A) involve a single-family dwelling which has been approved by the Secretary prior to the beginning of construction or substantial rehabilitation, or a two-family dwelling one of the units of which is to be occupied by the owner if the dwelling is purchased with the assistane of a nonprofit organization and is approved by the Secretary prior to the beginning of substantial rehabilitation, or a one-family unit in a condominium project (together with an undivided interest in the common areas and facilities serving the project) which is released from a multifamily project the construction or substantial rehabilitation of which has been completed within two years prior to the filing of the application for assistance payments with respect to such family unit and the unit has had no previous occupant other than the mortgagor: Provided, That the mortgage may involve an existing dwelling or a family unit in an existing condominium project if the dwelling or family unit meets such standards as the Secretary may prescribe, or if assistance payments have been made on behalf of the previous owner of the dwelling or family unit with respect to a mortgage insured under subsection (j)(4): Provided further, That a preference in extending mortgage insurance under this subsection shall be given to a mortgagor who qualifies as a displaced family as defined in section 221(f), or a family which includes five or more minor persons, or a family occupying low-rent public housing: Provided further, That the mortgage may involve a dwelling unit in an existing project covered by a mortgage insured under section 236 or in an existing project receiving the benefits of financial assistance under section 101 of the Housing and Urban Development Act of 1965;

(B) where it is to cover a one-family unit in a condominium project have a principal obligation not exceeding $15,000 ($17,500 in any geographical area where the Secretary authorizes an increase on the basis of a finding that cost levels so require), except that with respect to any family with five or more persons the foregoing limits shall be $17,500 and $20,000, respectively; and

(C) be executed by a mortgagor who shall have paid (i) in the case of a displaced family as defined in section 221(f), at least $200, or (ii), in the case of any other family, at least 3 per centum (or such larger amount as the Secretary may require) of the Secretary's estimate of the cost of acquisition, in cash or its equivalent, which amount in

either instance may be applied for the payment of settlement costs and initial payments for taxes, hazard insurance, mortgage insurance premiums, and other prepaid expenses.

(j)(1) In addition to mortgages insured under the provisions of subsection (i), the Secretary is authorized, upon application by the mortgagee, to insure a mortgage (including advances under such mortgage during rehabilitation) which is executed by a nonprofit organization to finance the purchase of housing, and the rehabilitation of such housing if it is deteriorating or substandard, for subsequent resale to low or moderate income home purchasers who meet the eligibility requirements for assistance payments prescribed by the Secretary under subsection (b). Commitments for the insurance of such mortgages may be issued by the Secretary prior to the date of their execution or disbursement thereon, upon such terms and conditions as the Secretary may prescribe.

(2) To be eligible for insurance under paragraph (1) of this subsection, a mortgage shall—

(A) be executed by a private nonprofit organization, approved by the Secretary, for the purpose of financing the purchase (with the intention of subsequent resale), and rehabilitation where the housing involved is deteriorating or substandard, of property comprising one or more tracts or parcels, whether or not contiguous, consisting of (i) four or more single-family dwellings of detached, semidetached, or row construction, or (ii) four or more one-family units in a structure or structures for which a plan of family unit ownership approved by the Secretary is established; except that in a case not involving the rehabilitation of deteriorating or substandard housing the property purchased may consist of one or more such dwellings or units;

(B) be in a principal amount not exceeding the appraised value of the property at the time of its purchase under the mortgage plus the estimated cost of any rehabilitation;

(C) bear interest (exclusive of premium charges for insurance and service charge, if any) at not to exceed such per centum per annum (not in excess of 6 per centum), on the amount of the principal obligation outstanding at any time, as the Secretary finds necessary to meet the mortgage market;

(D) provide for complete amortization (subject to paragraph (4)(E)) by periodic payments within such term as the Secretary may prescribe; and

(E) provide for the release of individual single-family dwellings from the lien of the mortgage upon their sale in accordance with paragraph (4).

(3) No mortgage shall be insured under paragraph (1) unless the mortgagor shall have demonstrated to the satisfaction of the Secretary that (A) the property involved is located in a neighborhood which is sufficiently stable and contains sufficient public facilities and amenities to support long-term values, or (B) the purchase or rehabilitation of such property plus the mortgagor's related activities and the activities of other owners of housing in the neighborhood, together with actions to be taken by public authorities, will be of such scope and quality as to give reasonable promise that a stable environment will be created in the neighborhood.

(4) (A) No mortgage shall be insured under paragraph (1) unless the mortgagor enters into an agreement, satisfactory to the Secretary, that it will offer to sell the dwellings involved, after purchase and upon completion

of any rehabilitation, to low or moderate income individuals or families meeting the eligibility requirements established by the Secretary under subsection (b).

(B) The Secretary is authorized to insure under this paragraph mortgages executed to finance the sale of individual dwellings to low or moderate income purchasers as provided in subparagraph (A). Any such mortgage shall—

(i) be in a principal amount not in excess of that portion of the unpaid principal balance of the blanket mortgage covering the property which is allocable to the individual dwelling involved;

(ii) bear interest at the same rate as the blanket mortgage; and

(iii) provide for complete amortization by periodic payments within a term equal to the remaining term (determined without regard to subparagraph (E)) of such blanket mortgage.

(C) The price for which any individual dwelling is sold under this paragraph shall be in an amount equal to that portion of the unpaid principal balance of the blanket mortgage covering the property which is allocable to the dwelling plus such additional amount, not less than $200 (which may be applied in whole or in part toward closing costs), as the Secretary may determine to be reasonable.

(D) Upon the sale under this paragraph of any individual dwelling, such dwelling shall be released from the lien of the blanket mortgage. Until all of the individual dwellings in the property covered by the blanket mortgage have been sold, the mortgagor shall hold and operate the dwellings remaining unsold at any given time, in such manner and under such terms as the Secretary may prescribe, as though they constituted rental units.

(E) Upon the sale under this paragraph of all the individual dwellings in the property covered by the blanket mortgage and the release of all individual dwellings from the lien of the blanket mortgage, the insurance of the blanket mortgage shall be terminated and no adjusted premium charge shall be charged by the Secretary upon such termination.

(5) Where the Secretary has approved a plan of family unit ownership, the terms "single-family dwelling", "single-family dwellings", "individual dwelling", and "individual dwellings" shall mean a family unit or family units, together with the undivided interest (or interests) in the common areas and facilities.

(6) For purposes of this subsection, the terms "single-family dwelling" and "single-family dwellings" (except for purposes of paragraph (5)) shall include a two-family dwelling which has been approved by the Secretary if one of the units is to be occupied by the owner.

(7) In addition to the assistance payments authorized under subsection (b), the Secretary may make such payments to a mortgagee on behalf of a nonprofit organization which is a mortgagor under the provisions of paragraph (1) in an amount not exceeding the difference between the monthly payment for principal, interest, and mortgage insurance premium which the morgagor is obligated to pay under the mortgage and the monthly payment for principal and interest such mortgagor would be obligated to pay if the mortgage were to bear interest at the rate of 1 per centum per annum.

(k) The Secretary shall from time to time allocate and transfer to the Secretary of Agriculture, for use (in accordance with the terms and conditions of this section) in rural areas and small towns, a reasonable portion of the total authority to contract to make assistance payments as approved in appropriation Acts under subsection (h).

RENTAL AND COOPERATIVE HOUSING FOR LOW AND MODERATE INCOME FAMILIES

SEC. 236. (a) For the purpose of reducing rentals for low and moderate income families, the Secretary is authorized to make, and to contract to make, periodic interest reduction payments on behalf of the owner of a rental housing project designed for occupancy by low and moderate income families, which shall be accomplished through payments to mortgagees holding mortgages meeting the special requirements specified in this section.

(b) Interest reduction payments with respect to a project shall only be made during such time as the project is operated as a rental housing project and is subject to a mortgage which meets the requirements of, and is insured under, subsection (j) of this section: Provided, That interest reduction payments may be made with respect to a rental or cooperative housing project owned by a private nonprofit corporation or other private nonprofit entity, a limited dividend corporation or other limited dividend entity, or a cooperative housing corporation, which is financed under a State or local program providing assistance through loans, loan insurance, or tax abatements, and which, prior to completion of construction or rehabilitation, is approved for receiving the benefits of this section.

(c) The interest reduction payments to a mortgagee by the Secretary on behalf of a project owner shall be in an amount not exceeding the difference between the monthly payment for principal, interest, and mortgage insurance premium which the project owner as a mortgagor is obligated to pay under the mortgage and the monthly payment for principal and interest such project owner would be obligated to pay if the mortgage were to bear interest at the rate of 1 per centum per annum.

(d) The Secretary may include in the payment to the mortgagee such amount, in addition to the amount computed under subsection (c), as he deems appropriate to reimburse the mortgagee for its expenses in handling the mortgage.

(e) As a condition for receiving the benefits of interest reduction payments, the project owner shall operate the project in accordance with such requirements with respect to tenant eligibility and rents as the Secretary may prescribe. Procedures shalll be adopted by the Secretary for review of tenant incomes at intervals of two years (or at shorter intervals where the Secretary deems it desirable).

(f) For each dwelling unit there shall be established with the approval of the Secretary (1) a basic rental charge determined on the basis of operating the project with payments of principal and interest due under a mortgage bearing interest at the rate of 1 per centum per annum; and (2) a fair market rental charge determined on the basis of operating the project with payments of principal, interest, and mortgage insurance premium which the mortgagor is obligated to pay under the mortgage covering the project. The rental for each dwelling unit shall be at the basic rental charge or such greater amount, not exceeding the fair market rental charge, as represents 20 percentum of the tenant's income.

(g) The project owner shall, as required by the Secretary, accumulate, safeguard, and periodically pay to the Secretary all rental charges collected in excess of the basic rental charges. Such excess charges shall be deposited by the Secretary in a fund which may be used by him as a revolving fund for the purpose of making interest reduction payments with respect to any rental housing project covered by a mortgage insured under this section, subject to limits approved in appropriation Acts

pursuant to subsection (i). Moneys in such fund not needed for current operations may be invested in bonds or other obligations of the United States or in bonds or other obligations guaranteed as to principal and interest by the United States.

(h) In addition to establishing the requirements specified in subsection (e), the Secretary is authorized to make such rules and regulations, to enter into such agreements, and to adopt such procedures as he may deem necessary or desirable to carry out the provisions of this section.

(i) There are authorized to be appropriated such sums as may be necessary to carry out the provisions of this section, including such sums as may be necessary to make interest reduction payments under contracts entered into under this section. The aggregate amount of contracts to make such payments shall not exceed amounts approved in appropriation Acts, and payments pursuant to such contracts shall not exceed $75,000,000 per annum prior to July 1, 1969, which maximum dollar amount shall be increased by $100,000,000 on July 1, 1969, and by $125,000,000 on July 1, 1970.

(j)(1) The Secretary is authorized, upon application by the mortgagee, to insure a mortgage (including advances on such mortgage during construction) which meets the requirements of this subsection. Commitments for the insurance of such mortgages may be issued by the Secretary prior to the date of their execution or disbursement thereon, upon such terms and conditions as he may prescribe.

(2) As used in this subsection—

(A) the terms "family" and "families" shall have the same meaning as in section 221;

(B) the term "elderly or handicapped families" shall have the same meaning as in section 202 of the Housing Act of 1959; and

(C) the terms "mortgage", "mortgagee", and "mortgagor" shall have the same meaning as in section 201.

(3) To be eligible for insurance under this subsection, a mortgage shall meet the requirements specified in subsections (d)(1) and (d)(3) of section 221, except as such requirements are modified by this subsection. In the case of a project financed with a mortgage insured under this subsection which involves a mortgagor other than a cooperative or a private nonprofit corporation or association and which is sold to a cooperative or a nonprofit corporation or association, the Secretary is further authorized to insure under this subsection a mortgage given by such purchaser in an amount not exceeding the appraised value of the property at the time of purchase, which value shall be based upon a mortgage amount on which the debt service can be met from the income of the property when operated on a nonprofit basis, after payment of all operating expenses, taxes, and required reserves.

(4) A mortgage to be insured under this subsection shall—

(A) be executed by a private mortgagor eligible under subsection (d)(3) or (e) of section 221;

(B) bear interest (exclusive of premium charges for insurance and service charges, if any) at not to exceed such per centum per annum (not in excess of 6 per centum), on the amount of the principal obligation outstanding at any time, as the Secretary finds necessary to meet the mortgage market; and

(C) provide for complete amortization by periodic payments within such term as the Secretary may prescribe.

(5) The property or project shall—

(A) comply with such standards and conditions as the Secretary may prescribe to establish the acceptability of the property for mortgage insurance and may include such nondwelling facilities as the Secretary deems adequate and appropriate to serve the occupants and the surrounding neighborhood: Provided, That the project shall be predominantly residential and any nondwelling facility included in the mortgage shall be found by the Secretary to contribute to the economic feasibility of the project, and the Secretary shall give due consideration to the possible effect of the project on other business enterprises in the community: Provided further, That in the case of a project designed primarily for occupancy by elderly or handicapped families, the project may include related facilities for use by elderly or handicapped families, including cafeterias or dining halls, community rooms, workshops, infirmaries or other inpatient or outpatient health facilities, and other essential service facilities;

(B) include five or more dwelling units; and

(C) be designed primarily for use as a rental project to be occupied by low and moderate income families or by elderly or handicapped families: Provided, That low and moderate income persons who are less than sixty-two years of age shall be eligible for occupancy in such a project, but not more than 10 per centum of the dwelling units in any such project shall be available for occupancy by such persons.

(6) With the approval of the Secretary, the mortgagor may sell the individual dwelling units to low and moderate income or elderly or handicapped purchasers. The Secretary may consent to the release of the mortgagor from his liability under the mortgage and the credit instrument secured thereby, or consent to the release of parts of the mortgaged property from the lien of the mortgage, upon such terms and conditions as he may prescribe, and the mortgage may provide for such release.

(k) As used in this section the term "tenant" includes a member of a cooperative; the term "rental housing project" includes a cooperative housing project; and the terms "rental" and "rental charge" mean, with respect to members of a cooperative, the charges under the occupancy agreements between such members and the cooperative.

(l) The Secretary shall from time to time allocate and transfer to the Secretary of Agriculture, for use (in accordance with the terms and conditions of this section) in rural areas and small towns, a reasonable portion of the total authority to contract to make periodic interest reduction payments as approved in appropriation Acts under subsection (i).

SPECIAL MORTGAGE INSURANCE ASSISTANCE

SEC. 237. (a) The purpose of this section is to help provide adequate housing for families of low and moderate income, including those who, for reasons of credit history, irregular income patterns caused by seasonal employment, or other factors, are unable to meet the credit requirements of the Secretary for the purchase of a single-family home financed by a mortgage insured under section 203, 220, 221, 234, or 235(j)(4), but who, through the incentive of homeownership and counseling assistance, appear to be able to achieve homeownership.

(b) The Secretary is authorized upon application by the mortgagee to insure under this section any mortgage meeting the requirements of this section.

(c) *To be eligible for insurance under this section, a mortgage shall—*

(1) meet the requirements of section 203, 220(d)(3)(A), 221(d)(2), 221(h)(5), 221(i), 234(c), or 235(j)(4) except as such requirements are modified by this section;

(2) involve a principal obligation (including such initial service charges, and such appraisal, inspection, and other fees, as the Secretary shall approve) in an amount not to exceed $15,000: Provided, That the Secretary may increase the amount to not exceed $17,500 in any geographical area where he finds that cost levels so require: Provided further, That no mortgage meeting the requirements of section 203(h) or 203(i) shall be eligible for insurance under this section if its principal obligation is in excess of the maximum limits prescribed in such section;

(3) be executed by a mortgagor who the Secretary has determined, after a full and complete study of the case, would not be an acceptable credit risk for mortgage insurance purposes under section 203, 220, 221, 234, or 235(j)(4), because of his credit standing, debt obligations, total annual income, or income characteristics, but who the Secretary is satisfied would be a reasonably satisfactory credit risk, consistent with the objectives stated in subsection (a), if he were to receive budget, debt management, and related counseling: Provided, That, in determining whether the mortgagor is a reasonably satisfactory credit risk, the Secretary shall review the credit history of the applicant giving special consideration to those delinquent accounts which were ultimately paid by the applicant and to extenuating factors which may have caused credit accounts of the applicant to become delinquent; and the Secretary shall also give special consideration to income characteristics of applicants whose total income over the two years prior to their applications has remained at levels of eligibility (as required under paragraph (4) of this subsection), but who, because of the character of their seasonal employment or for other reasons, have not maintained continuous employment under one employer during that time; and

(4) require monthly payments which, in combination with local real estate taxes on the property involved, do not exceed 25 per centum of the applicant's income, based on his average monthly income during the year prior to his application or the average monthly income during the three years prior to his application, whichever is higher.

(d) The Secretary shall give preference in approving mortgage insurance applications under this section to families living in public housing units, especially those families required to leave public housing because their incomes have risen beyond the maximum prescribed income limits, and families eligible for residence in public housing who have been displaced from federally assisted urban renewal areas.

(e) The Secretary is authorized to provide, or contract with public or private organizations to provide, such budget, debt management, and related counseling services to mortgagors whose mortgages are insured under this section as he determines to be necessary to meet the objectives of this section. The Secretary may also provide such counseling to otherwise eligible families who lack sufficient funds to supply a downpayment to help them to save an amount necessary for that purpose.

(f) The aggregate principal balance of all mortgages insured under this section and outstanding at one time shall not exceed $100,000,000.

(g) There are authorized to be appropriated such sums as may be necessary to carry out the provisions of subsection (e) of this section.

PAYMENT OF INSURANCE—SPECIAL RISK INSURANCE FUND

SEC. 238. (a) (1) Any mortgagee under a mortgage insured under section 235(i), 235(j)(4), or 237 shall be entitled to receive the benefits of the insurance as provided in section 204(a) with respect to mortgages insured under section 203. The provisions of subsections (b), (c), (d), (g), (j), and (k) of section 204 shall be applicable to mortgages insured under section 235(i), 235(j)(4), or 237, except that all references therein to the "Mutual Mortgage Insurance Fund" shall be construed to refer to the "Special Risk Insurance Fund," and all references therein to section 203 shall be construed to refer to section 235(i), 235(j)(4), or 237, as may be appropriate.

(2) Any mortgagee under a mortgage insured under section 235(j)(1) or 236 shall be entitled to receive the benefits of insurance as provided in section 207(g) with respect to mortgages insured under section 207. The provisions of subsections (d), (e), (h), (i), (j), (k), (l), and (n) of section 207 shall be applicable to mortgages insured under section 235(j)(1) or 236, except that all references therein to the "General Insurance Fund" shall be construed to refer to the "Special Risk Insurance Fund" and the premium charge provided in section 207(d) shall be payable only in cash or debentures of the Special Risk Insurance Fund.

(3) In lieu of the amount of insurance benefits computed pursuant to paragraph (1) or (2) of this subsection, the Secretary, in his discretion and in accordance with such regulations as he may prescribe, may (with respect to any mortgage loan acquired by him) compute and pay insurance benefits to the mortgagee in a total amount equal to the unpaid principal balance of the loan plus any accrued interest and any advances approved by the Secretary and made previously by the mortgagee under the provisions of the mortgage.

(b) There is hereby created a Special Risk Insurance Fund (hereinafter referred to as the "fund") which shall be used by the Secretary as a revolving fund for carrying out the mortgage insurance obligations of sections 223(e), 233(a)(2), 235, 236, and 237, and the Secretary is hereby authorized to advance to the fund the sum of $5,000,000 from the General Insurance Fund established pursuant to the provisions of section 519. Such advance shall be repayable at such times and at such rates of interest as the Secretary deems appropriate. Premium charges, adjusted premium charges, inspection and other fees, service charges, and any other income received by the Secretary under sections 223(e), 235, 236, and 237, together with all earnings on the assets of the fund, shall be credited to the fund. All payments made pursuant to claims of mortgagees with respect to mortgages, insured under sections 235, 236, and 237 or pursuant to section 223(e), or 233(a)(2), cash adjustments, the principal of and interest paid in debentures which are the obligation of the fund, expenses incurred in connection with or as a consequence of the acquisition and disposal of property acquired under such sections, and all administrative expenses on connection with the mortgage insurance operations under such sections shall be paid out of the fund. There is authorized to be appropriated such sums as may be needed from time to time to cover losses sustained by the fund in carrying out the mortgage insurance obligations of sections 223(e), 233(a)(2), 235, 236, and 237. Moneys in the funds not needed for current

operations of the fund shall be deposited with the Treasurer of the United States to the credit of the fund or invested in bonds or other obligations of, or in bonds or other obligations guaranteed by, the United States. The Secretary, with the approval of the Secretary of the Treasury, may purchase in the open market debentures which are the obligation of the fund. Such purchases shall be made at a price which will provide an investment yield of not less than the yield obtained from other investments authorized by this section. Debentures so purchased shall be canceled and not reissued.

MODIFICATIONS IN TERMS OF INSURED MORTGAGES COVERING MULTIFAMILY PROJECTS

SEC. 239. (a) The Secretary shall not consent to any request for an extension of the time for curing a default under any mortgage covering multifamily housing, as defined in the regulations of the Secretary, or for a modification of the terms of such mortgage, except in conformity with regulations prescribed by the Secretary in accordance with the provisions of this section. Such regulations shall require, as a condition to the granting of any such request, that, during the period of such extension or modification, any part of the rents or other funds derived by the mortgagor from the property covered by the mortgage which is not required to meet actual and necessary expenses arising in connection with the operation of such property, including amortization charges under the mortgage, be held in trust by the mortgagor and distributed only with the consent of the Secretary; except that the Secretary may provide for the granting of consent to any request for an extension of the time for curing a default under any mortgage covering multifamily housing, or for a modification of the terms of such mortgage, without regard to the foregoing requirement, in any case or class of cases in which an exemption from such requirement does not (as determined by the Secretary) jeopardize the interests of the United States.

(b) Whoever, as an owner of a property which is security for a mortgage described in subsection (a), or as a stockholder of a corporation owning such property, or as a beneficial owner under any business organization or trust owning such property, or as an officer, director, or agent of any such owner, (1) willfully uses or authorizes the use of any part of the rents or other funds derived from property covered by such mortgage in violation of a regulation prescribed by the Secretary under subsection (a), or (2) if such mortgage is determined, as provided in subsection (a), to be exempt from the requirement of any such regulation or is not otherwise covered by such regulation, willfully and knowingly uses or authorizes the use, while such mortgage is in default, of any part of the rents or other funds derived from the property covered by such mortgage for any purpose other than to meet actual and necessary expenses arising in connection with such property (including amortization charges under the mortgage), shall be fined not more than $5,000 or imprisoned not more than three years, or both.

PURCHASE OF FEE SIMPLE TITLE FROM LESSORS

SEC. 240. (a) The Secretary is authorized, upon such terms and conditions as he may prescribe, to make commitments to insure and to insure loans made by financial institutions for the purpose of financing purchases by homeowners of the fee simple title to property on which their homes are located.

(b) As used in this section—

(1) the term "financial institution" means a lender approved by the Secretary as eligible for insurance under section 2 or a mortgagee approved under section 203(b)(1); and

(2) the term "homeowner" means a lessee under a long-term ground lease.

(c) To be eligible for insurance under this section, a loan shall—

(1) relate to property on which there is located a dwelling designed principally for a one-, two-, three-, or four-family residence;

(2) not exceed the cost of purchasing the fee simple title, or $10,000 per family unit, whichever is the lesser;

(3) be limited to an amount which when added to any outstanding indebtedness related to the property (as determined by the Secretary) creates a total outstanding indebtedness which does not exceed the applicable mortgage limit prescribed in section 203(b);

(4) bear interest at not to exceed such per centum per annum (not to exceed 6 per centum), on the amount of the principal obligation outstanding at any time, as the Secretary finds necessary to meet market conditions, and such other charges (including service charges and appraisal, inspection, and other fees) as may be approved by the Secretary;

(5) have a maturity satisfactory to the Secretary, but not to exceed twenty years from the beginning of amortization of the loan or three-quarters of the remaining economic life of the home, whichever is the lesser; and

(6) comply with such other terms, conditions, and restrictions as the Secretary may prescribe.

(d) The provisions of paragraphs (3), (5), (6), (7), (8), and (10) of section 220(h) shall be applicable to loans insured under this section and, as applied to loans insured under this section, references in those paragraphs to "home improvement loans" and "this subsection" shall be construed to refer to loans under this section.

SUPPLEMENTAL LOANS FOR MULTIFAMILY PROJECTS

SEC. 241. (a) With respect to a multifamily project or group practice facility covered by a mortgage insured under any section or title of this Act, the Secretary is authorized, upon such terms and conditions as he may prescribe, to make commitments to insure, and to insure, supplemental loans (including advances during construction or improvement) made by financial institutions approved by the Secretary. As used in this section, "supplemental loan" means a loan, advance of credit, or purchase of an obligation representing a loan or advance of credit made for the purpose of financing improvements or additions to such project or facility: Provided, That a loan involving a nursing home covered by a mortgage insured under section 232 or a loan involving a group practice facility covered by a mortgage insured under title XI may also be made for the purpose of financing equipment to be used in the operation of such nursing home or facility.

(b) To be eligible for insurance under this section, a supplemental loan shall—

(1) be limited to 90 per centum of the amount which the Secretary estimates will be the value of such improvements, additions, and equipment, except that such amount, when added to the outstanding

balance of the mortgage covering the project or facility, shall not exceed the maximum mortgage amount insurable under the section or title pursuant to which the mortgage covering such project or facility is insured;

(2) have a maturity satisfactory to the Secretary but not to exceed the remaining term of the mortgage;

(3) bear interest (exclusive of premium charges for insurance and service charges, if any) at not to exceed such per centum per annum (not in excess of 6 per centum), on the amount of the principal obligation outstanding at any time, as the Secretary finds necessary to meet market conditions;

(4) be secured in such manner as the Secretary may require;

(5) be governed by the labor standards provisions of section 212 that are applicable to the section or title pursuant to which the mortgage covering the project or facility is insured; and

(6) contain such other terms, conditions, and restrictions as the Secretary may prescribe.

(c) The provisions of subsections (d), (e), (g), (h), (i), (j), (k), (l), and (n) of section 207 shall be applicable to loans insured under this section, except that (1) all references to the term "mortgage" shall be construed to refer to the term "loan" as used in this section, (2) loans involving projects covered by a mortgage insured under section 213 that is the obligation of the Cooperative Management Housing Insurance Fund shall be insured under and shall be the obligation of such fund, and (3) loans involving projects covered by a mortgage insured under section 236 shall be insured under and shall be the obligation of the Special Risk Insurance Fund.

MORTGAGE INSURANCE FOR NONPROFIT HOSPITALS

SEC. 242. (a) The purpose of this section is to assist the provision of urgently needed hospitals for the care and treatment of persons who are acutely ill or who otherwise require medical care and related services of the kind customarily furnished only (or most effectively) by hospitals.

(b) For the purposes of this section—

(1) the term "hospital" means a facility—

(A) which provides community service for inpatient medical care of the sick or injured (including obstetrical care);

(B) not more than 50 per centum of the total patient days of which during any year are customarily assignable to the categories of chronic convalescent and rest, drug and alcoholic, epileptic, mentally deficient, mental, nervous and mental, and tuberculosis; and

(C) which is owned and operated by one or more nonprofit corporations or associations, no part of the net earnings of which inures, or may lawfully inure, to the benefit of any private shareholder or individual; and

(2) the terms "mortgage" and "mortgagor" shall have the meanings respectively set forth in section 207 (a) of this Act, except that the mortgage, by the same instrument or by a separate instrument, may create a security interest in initial equipment, whether or not attached to the realty.

(c) The Secretary is authorized to insure any mortgage (including advances on such mortgage during construction) in accordance with the

provisions of this section upon such terms and conditions as he may prescribe and to make commitments for insurance of such mortgage prior to the date of its execution or disbursement thereon.

(d) In order to carry out the purpose of this section, the Secretary is authorized to insure any mortgage which covers a new or rehabilitated hospital, subject to the following conditions:

(1) The mortgage shall be executed by a mortgagor approved by the Secretary. The Secretary may in his discretion require any such mortgagor to be regulated or restricted as to charges and methods of financing, and, in addition thereto, if the mortgagor is a corporate entity, as to capital structure and rate of return. As an aid to the regulation or restriction of any mortgagor with respect to any of the foregoing matters, the Secretary may make such contracts with and acquire for not to exceed $100 such stock or interest in such mortgagor as he may deem necessary. Any stock or interest so purchased shall be paid for out of the General Insurance Fund, and shall be redeemed by the mortgagor at par upon the termination of all obligations of the Secretary under the insurance.

(2) The mortgage shall involve a principal obligation in an amount not to exceed $25,000,000 and not to exceed 90 per centum of the estimated replacement cost of the property or project, including equipment to be used in the operation of the hospital, when the proposed improvements are completed and the equipment is installed.

(3) The mortgage shall—

(A) provide for complete amortization by periodic payments within such term as the Secretary shall prescribe, and

(B) bear interest (exclusive of premium charges for insurance and service charges, if any) at not to exceed such per centum per annum (not in excess of 6 per centum), on the amount of the principal obligation outstanding at any time, as the Secretary finds necessary to meet the mortgage market.

(4) The Secretary shall not insure any mortgage under this section unless he has received, from the State agency designated in accordance with section 604(a)(1) of the Public Health Service Act for the State in which it is located the hospital covered by the mortgage, a certification that (1) there is a need for such hospital, and (2) there are in force in such State or the political subdivision of the State in which the proposed hospital would be located reasonable minimum standards of licensure and methods of operation for hospitals. No such mortgage shall be insured under this secion unless the Secretary has received such assurance as he may deem satisfactory from the State agency that such standards will be applied and enforced with respect to any hospital located in the State for which mortgage insurance is provided under this section.

(e) The Secretary may consent to the release of a part or parts of the mortgaged property or project from the lien of any mortgage insured under this section upon such terms and conditions as he may prescribe.

(f) The activities and functions provided for in this section shall be carried out by the agencies involved so as to encourage programs that undertake responsibility to provide comprehensive health care, including outpatient and preventive care, as well as hospitalization, to a defined population.

(g) The provisions of subsections (d), (e), (g), (h), (i), (j), (k), (l), and (n) of section 207 shall apply to mortgages insured under this section and all references therein to section 207 shall be deemed to refer to this section.

TITLE III—[FEDERAL] NATIONAL MORTGAGE [ASSOCIATION] *ASSOCIATIONS*

PURPOSES

SEC. 301. The Congress hereby declares that the purposes of this title are to establish [in the Federal Government a] secondary market [facility] *facilities* for home mortgages, to provide that the operations [of such facility] *thereof* shall be financed by private capital to the maximum extent feasible, and to authorize such [facility] *facilities* to—

(a) provide supplementary assistance to the secondary market for home mortgages by providing a degree of liquidity for mortgage investments, thereby improving the distribution of investment capital available for home mortgage financing;

(b) provide special assistance (when, and to the extent that, the President has determined that it is in the public interest) for the financing of (1) selected types of home mortgages (pending the establishment of their marketability) originated under special housing programs designed to provide housing of acceptable standards at full economic costs for segments of the national population which are unable to obtain adequate housing under established home financing programs, and (2) home mortgages generally as a means of retarding or stopping a decline in mortgage lending and home building activities which threatens materially the stability of a high level national economy; and

(c) manage and liquidate [the existing mortgage portfolio of the Federal National Mortgage Association] *federally owned mortgage portfolios* in an orderly manner, with a minimum of adverse effect upon the home mortgage market and minimum loss to the Federal Government.

CREATION OF ASSOCIATION

SEC. 302. (a)(*1*) There is hereby created a body corporate to be known as the "Federal National Mortgage Association" [(hereinafter referred to as the "Association")], which shall be in the Department of Housing and Urban Development. The Association shall have succession until dissolved by Act of Congress. It shall maintain its principal office in the District of Columbia and shall be deemed, for purposes of venue in civil actions, to be a resident thereof. Agencies or offices may be established by the Association in such other place or places as it may deem necessary or appropriate in the conduct of its business.

(2) On the effective date established pursuant to section 708 of the Housing and Urban Development Act of 1968, the body corporate described in the foregoing paragraph shall cease to exist in that form and is hereby partitioned into two separate and distinct bodies corporate, each of which shall have continuity and corporate succession as a separated portion of the previously existing body corporate, as follows:

(A) One of such separated portions shall be a body corporate without capital stock to be known as Government National Mortgage Association (hereinafter referred to as the Association), which shall be in the Department of Housing and Urban Development and which shall retain the assets and liabilities acquired and incurred under sections 305 and 306 prior to such effective date, including any and all liabilities incurred pursuant to

section 302(c). The Association shall have succession until dissolved by Act of Congress. It shall maintain its principal office in the District of Columbia and shall be deemed, for purposes of venue in civil actions, to be a resident thereof. Agencies or offices may be established by the Association in such other place or places as it may deem necessary or appropriate in the conduct of its business.

(B) The other such separated portion shall be a body corporate to be known as Federal National Mortgage Association (hereinafter referred to as the corporation), which shall retain the assets and liabilities acquired and incurred under sections 303 and 304 prior to such effective date. The corporation shall have succession until dissolved by Act of Congress. It shall maintain its principal office in the District of Columbia and shall be deemed, for purposes of venue in civil actions, to be a resident thereof.

(b) For the purposes set forth in section 301 and subject to the limitations and restrictions of this title, [the Association] *each of the bodies corporate named in subsection (a)(2)* is authorized, pursuant to commitments or otherwise, to purchase, [lend (under section 304) on the security of,] service, sell, or otherwise deal in any mortgages which are insured under the National Housing Act or title V of the Housing Act of 1949, or which are insured or guaranteed under the Servicemen's Readjustment Act of 1944 or chapter 37 of title 38, United States Code*; and the corporation is authorized to lend on the security of any such mortgages and to purchase, sell, or otherwise deal in any securities guaranteed by the Association under section 306(g)* : *Provided*, That (1) [no mortgage may be purchased] *the Association may not purchase any mortgage* at a price exceeding 100 per centum of the unpaid principal amount thereof at the time of purchase, with adjustments for interest and any comparable item; (2) the Association may not purchase any mortgage, except a mortgage insured under title V of the Housing Act of 1949, if it is offered by, or covers property held by, a State, territorial, or municipal instrumentality; and (3) the Association may not purchase any mortgage under section 305, except a mortgage insured under section 220 or title VIII, or under title X with respect to a new community approved under section 1004 thereof, or insured under section 213 and covering property located in an urban renewal area, or a mortgage covering property located in Alaska, Guam, or Hawaii, if the original principal obligation thereof exceeds or exceeded $17,500 for each family residence or dwelling unit covered by the mortgage (plus an additional $2,500 for each such family residence or dwelling unit which has four or more bedrooms). Notwithstanding the provisions of clause (3) in the preceding sentence, the Association may purchase a mortgage under section 305 with an original principal obligation that exceeds $17,500 per dwelling unit if the mortgage (1) is a below-market interest rate mortgage insured under section 221(d)(3), and (2) covers property which has the benefit of local tax abatement in an amount determined by the Secretary of Housing and Urban Development to be sufficient to make possible rentals not in excess of those that would be approved by the Secretary if the mortgage amount did not exceed $17,500 per dwelling unit and if local tax abatement were not provided. For the purposes of this title, the terms "mortgages" and "home mortgages" shall be inclusive of any mortgages or other loans insured under any of the provisions of the National Housing Act or title V of the Housing Act of 1949.

(c)(1) Notwithstanding any other provision of this Act or of any other law, the Association is authorized under section 306 to create, accept, execute, and otherwise administer in all respects such trusts, receiverships, conservatorships, liquidating or other agencies, or other fiduciary and representative undertakings and activities, hereinafter in this subsection called "trusts", as might be appropriate for financing purposes; and in relation thereto the Association may acquire, hold and manage, dispose of, and otherwise deal in any mortgages or other types of obligations in which any department or agency of the United States listed in paragraph (2) of this subsection may have a financial interest. The Association may join in any such undertakings and activities notwithstanding that it is also serving in a fiduciary or representative capacity; and is authorized[, consistent with section 307,] to guarantee any participations or other instruments, whether evidence of property rights or debt, issued for such financing purposes. Participations or other instruments issued by the Association pursuant to this subsection shall to the same extent as securities which are direct obligations of or obligations guaranteed as to principal or interest by the United States be deemed to be exempt securities within the meaning of laws administered by the Securities and Exchange Commission. The amounts of any mortgages and other obligations acquired by the Association under section 306, pursuant to this subsection, shall not be included in the total amounts set forth in section 306(c).

(2) Subject to the limitations provided in paragraph (4) of this subsection, one or more trusts may be established as provided in this subsection by each of the following departments or agencies:

(A) The Farmers Home Administration of the Department of Agriculture, but only with respect to operating loans, direct farm ownership loans, direct housing loans, and direct soil and water loans. Such trusts may not be established with respect to loans for housing for the elderly under sections 502 and 515(a) of the Housing Act of 1949, nor with respect to loans for nonfarm recreational development.

(B) The Department of Health, Education, and Welfare, but only with respect to loans made by the Commissioner of Education for construction of academic facilities, and loans to help finance student loan programs.

(C) The Department of Housing and Urban Development[, except that such authority may not be used with respect to secondary market operations of the Federal National Mortgage Association].

(D) The Veterans' Administration.

(E) The Export-Import Bank.

(F) The Small Business Administration.

The head of each such department or agency, hereinafter in this subsection called the "trustor", is authorized to set aside a part or all of any obligations held by him and subject them to a trust or trusts and, incident thereto, shall guarantee to the trustee timely payment thereof. The trust instrument may provide for the issuance and sale of beneficial interests or participations, by the trustee, in such obligations or in the right to receive interest and principal collections therefrom; and may provide for the substitution or withdrawal of such obligations, or for the substitution of cash for obligations. The trust

or trusts shall be exempt from all taxation. The trust instrument may also contain other appropriate provisions in keeping with the purposes of this subsection. The Association shall be named and shall act as trustee of any such trusts and, for the purposes thereof, the title to such obligations shall be deemed to have passed to the Association in trust. The trust instrument shall provide that custody, control, and administration of the obligations shall remain in the trustor subjecting the obligations to the trust, subject to transfer to the trustee in event of default or probable default, as determined by the trustee, in the payment of principal and interest of the beneficial interests or participations. Collections from obligations subject to the trust shall be dealt with as provided in the instrument creating the trust. The trust instrument shall provide that the trustee will promptly pay to the trustor the full net proceeds of any sale of beneficial interests or participations to the extent they are based upon such obligations or collections. Such proceeds shall be dealt with as otherwise provided by law for sales or repayment of such obligations. The effect of both past and future sales of any issue of beneficial interests or participations shall be the same, to the extent of the principal of such issue, as the direct sale with recourse of the obligations subject to the trust. Any trustor creating a trust or trusts hereunder is authorized to purchase, through the facilities of the trustee, outstanding beneficial interests or participations to the extent of the amount of his responsibility to the trustee on beneficial interests or participations outstanding, and to pay his proper share of the costs and expenses incurred by the [Federal National Mortgage] Association as trustee pursuant to the trust instrument.

(3) When any trustor guarantees to the trustee the timely payment of obligations he subjects to a trust pursuant to this subsection, and it becomes necessary for such trustor to meet his responsibilities under such guaranty, he is authorized to fulfill such guaranty.

(4) Beneficial interests or participations shall not be issued for the account of any trustor in an aggregate principal amount greater than is authorized with respect to such trustor in an appropriation Act. Any such authorization shall remain available only for the fiscal year for which it is granted and for the succeeding fiscal year.

(5) The Association, as trustee, is authorized to issue and sell beneficial interests or participations under this subsection, notwithstanding that there may be an insufficiency in aggregate receipts from obligations subject to the related trust to provide for the payment by the trustee (on a timely basis out of current receipts or otherwise) of all interest or principal on such interests or participations (after provision for all costs and expenses incurred by the trustee, fairly prorated among trustors). There are authorized to be appropriated without fiscal year limitation such sums as may be necessary to enable any trustor to pay the trustee such insufficiency as the trustee may require on account of outstanding beneficial interests or participations authorized to be issued pursuant to paragraph (4) of this subsection. Such trustor shall make timely payments to the trustee from such appropriations, subject to and in accord with the trust instrument. *In the event that the insufficiency required by the trustee is on account of principal maturities of outstanding beneficial interests or participations authorized to be issued pursuant to paragraph (4) of this subsection, or pursuant*

hereto, the trustee is authorized to elect to issue additional beneficial interests or participations for refinancing purposes in lieu of requiring any trustor or trustors to make payments to the trustee from appropriated funds or other sources. Each such issue of beneficial interests or participations shall be in an amount determined by the trustee but not in excess of the aggregate amount which the trustee would otherwise require the trustor or trustors to pay from appropriated funds or other sources, and may be issued without regard to the provisions of paragraph (4) of this subsection. All refinancing issues of beneficial interests or participations shall be deemed to have been issued pursuant to the authority contained in the appropriation Act or Acts under which the beneficial interests or participations were originally issued.

CAPITALIZATION—FEDERAL NATIONAL MORTGAGE ASSOCIATION

SEC. 303. (a) The [Association] *corporation* shall have [nonvoting] common stock, *without par value, which shall be vested with all voting rights, each share being entitled to one vote with rights of cumulative voting at all elections of directors;* and initially shall also have nonvoting preferred stock, *with a par value of $100 per share,* to which the Secretary of the Treasury shall subscribe as provided in subsections (d) and (e) of this section. [All stock of the Association shall have a par value of $100 per share, and shall not be transferable except on the books of the Association. At the option of the Association all such stock shall be retirable at par value at any time, except that retirements of common stock shall not be made if, as a consequence, the amount thereof remaining outstanding would be less than $100,000,000.] *The free transferability of the common stock at all times to any person, firm, corporation, or other entity shall not be restricted except that, as to the corporation, it shall be transferable only on the books of the corporation.* With respect to the preferred stock held by him, the Secretary of the Treasury shall be entitled to cumulative dividends for each fiscal year or portion thereof, from the date or dates the capital represented by such preferred stock is initially utilized until such preferred stock is retired, at rates determined by him at the beginning of each such fiscal year, taking into consideration the current average interest rate on outstanding marketable obligations of the United States as of the last day of the preceding fiscal year. The Secretary of the Treasury shall permit the retirement of the preferred stock held by him in the manner provided in this section. Funds [of the capital surplus and the general surplus accounts] of the [Association] *corporation* shall be available to retire, *at par,* the preferred stock held by the Secretary of the Treasury as rapidly as [the Association shall deem feasible] *possible subsequent to the effective date established pursuant to section 708 of the Housing and Urban Development Act of 1968.* Concurrently with the retirement of the last of such outstanding shares of preferred stock, the [Association] *corporation* shall pay to the Secretary of the Treasury for covering into miscellaneous receipts an amount equal to that part of the general surplus and reserves of the [Association] *corporation* (other than reserves established to provide for any depreciation in value of its assets, including mortgages) which shall be deemed to have been earned through the use of the capital represented by the shares held by him from time to time. The amount of such payment shall be de-

termined by applying to such surplus and reserves that percentage which is equivalent to the proportion borne by the employed capital represented by the Secretary of the Treasury's stock to the total employed capital of the [Association] *corporation*, computed monthly for the period from the cutoff date determined pursuant to section 303(d) of this title to the aforesaid retirement of the last of the out standing shares of preferred stock of the [Association] *corporation*.

(b) The [Association] *corporation* shall accumulate funds for its capital surplus account from private and other sources by requiring each mortgage seller to make payments of nonrefundable capital contributions, equal to not more than 2 per centum nor less than 1 per centum of the unpaid principal amounts of mortgages purchased or to be purchased by the [Association] *corporation* from such seller under section 304, as determined from time to time by the [Association] *corporation*, taking into consideration conditions in the mortgage market and the general economy; and by requiring each borrower to make such payments, equal to not more than one-half of 1 per centum of the amount lent by the [Association] *corporation* to such borrower under section 304. In addition, the [Association] *corporation* may impose charges or fees [for its services], *which may be regarded as elements of pricing*, with the objective that all costs and expenses of its operations should be within its income derived from such operations and that such operations should be fully self-supporting. All earnings from the operations of the [Association] *corporation* shall annually be transferred to its general surplus account. At any time, funds of the general surplus account may, in the discretion of the board of directors, be transferred to reserves. All dividends shall be charged against the general surplus account. [This subsection (b) shall be subject to the exceptions set forth in section 307 of this title.]

(c) The [Association] *corporation* shall issue from time to time, to each mortgage seller or borrower, its common stock [only in denominations of $100 or multiples thereof] evidencing any capital contributions (adjusted by reason of any payments into surplus required by the [Association] *corporation*) made by such seller or borrower pursuant to subsection (b) of this section. *In addition to the shares of common stock issued under the foregoing sentence, the corporation may issue additional shares in return for appropriate payments into capital or capital and surplus. The corporation shall at all times require each servicer of its mortgages to own a minimum amount of common stock of the corporation, measured by its stated value. Such minimum amount shall not exceed 2 per centum, as determined from time to time by the corporation with the approval of the Secretary of Housing and Urban Development, of the aggregate outstanding principal balances of all mortgages of the corporation which have been purchased subsequent to the effective date established pursuant to section 708 of the Housing and Urban Development Act of 1968 and which are then serviced by such servicer for the corporation.* Such dividends as may be declared by the board of directors in its discretion shall be paid by the [Association] *corporation* to the holders of its common stock, but in any one fiscal year [the general surplus account of the Association shall not be reduced through the payment of dividends applicable to such common stock which exceed in the aggregate 5 per centum of the par value of the outstanding common stock of the Association] *the aggregate*

amount of cash dividends paid on account of any share of such stock shall not exceed any rate which may be determined from time to time by the Secretary of Housing and Urban Development to be a fair rate of return after consideration of the current earnings and capital condition of the corporation: Provided, That pending the retirement of all the outstanding preferred stock of the [Association] *corporation* such percentage with respect to any one fiscal year shall not exceed the precentage rate of the cumulative dividend applicable to the preferred stock of the [Association] *corporation* for that fiscal year.

(d) Within ninety days following the effective date of the Housing Act of 1954, as of the day following a cutoff date to be determined by the [Association] *corporation*, the [Association] *corporation* is authorized and directed to issue and deliver to the Secretary of the Treasury, and the Secretary of the Treasury is authorized and directed to accept, preferred stock of the [Association] *corporation* having an aggregate par value equal to the sum of (1) the amount of $21,000,000 (being the amount of the original subscription for capital stock of $20,000,000 and paid-in surplus of $1,000,000 of the [Association] *corporation*) and (2) an amount equal to the [Association's] *corporation's* surplus, surplus reserves, and undistributed earnings, computed as of the close of the cutoff date. In addition to the preferred stock provided for in the first sentence of this subsection, the [Association] *corporation* is authorized and directed to issue and deliver to the Secretary of the Treasury, and the Secretary of the Treasury is authorized and directed to accept, preferred stock of the [Association] *corporation* having an aggregate par value equal to $225,000,000*; but no such stock may be issued subsequent to the effective date established pursuant to section 708 of the Housing and Urban Development Act of 1968.*

(e) The preferred stock of the [Association] *corporation* delivered to the Secretary of the Treasury pursuant to the first sentence of subsection (d) of this section shall be in exchange for (1) the note or notes evidencing the aforesaid original $21,000,000 (upon which the accrued interest shall have been paid through the cutoff date referred to in subsection (d) of this section), and (2) the release to the [Association] *corporation* of any and all rights or claims which the United States might otherwise have or claim in and to the [Association's] *corporation's* capital, surplus, surplus reserves, and undistributed earnings, computed as of the close of the aforesaid cutoff date. The preferred stock of the [Association] *corporation* delivered to the Secretary of the Treasury pursuant to the second sentence of subsection (d) of this section shall be in exchange for a note or notes of the [Association] *corporation*, aggregating $225,000,000 in principal amount (and upon which the accrued interest shall have been paid through the date of delivery), held by the Secretary of the Treasury pursuant to the authority contained in section 304(c).

(f) Notwithstanding any other provision of law, any institution, including a national bank or State member bank of the Federal Reserve System or any member of the Federal Deposit Insurance Corporation, trust company, or other banking organization, organized under any law of the United States, including the laws relating to the District of Columbia, shall be authorized to make payments to the [Association] *corporation* of the nonrefundable capital contributions referred to in subsection (b) of this section, to receive stock of the [Association]

corporation evidencing such capital contributions, *to purchase additional shares of such stock*, and to hold or dispose of such stock, subject to the provisions of this title.

[(g) As promptly as practicable after all of the preferred stock of the Association held by the Secretary of the Treasury has been retired, the Secretary of Housing and Urban Development shall transmit to the President for submission to the Congress recommendations for such legislation as may be necessary or desirable to make appropriate provisions to transfer to the owners of the outstanding common stock of the Association the assets and liabilities of the Association in connection with, and the control and management of, the secondary market operations of the Association under section 304 of this title in order that such operations may thereafter be carried out by a privately financed corporation.]

SECONDARY MARKET OPERATIONS—*FEDERAL NATIONAL MORTGAGE ASSOCIATION*

SEC. 304. (a)(1) To carry out the purposes set forth in paragraph (a) of section 301, the operations of the [Association] *corporation* under this section shall be confined, so far as practicable, to mortgages which are deemed by the [Association] *corporation* to be of such quality, type, and class as to meet, generally, the purchase standards imposed by private institutional mortgage investors [and the Association shall not purchase any mortgage insured or guaranteed prior to the effective date of the Housing Act of 1954]. In the interest of assuring sound operation, the prices to be paid by the [Association] *corporation* for mortgages purchased in its secondary market operations under this section, should be established, from time to time, within the range of market prices for the particular class of mortgages involved, as determined by the [Association] *corporation*. The volume of the [Association's] *corporation's* purchases and sales, and the establishment of the purchase prices, sale prices, and charges or fees, in its secondary market operations under this section, should be determined by the [Association] *corporation* from time to time, and such determinations should be consistent with the objectives that such purchases and sales should be effected only at such prices and on such terms as will reasonably prevent excessive use of the [Association's] *corporation's* facilities, and that the operations of the [Association] *corporation* under this section should be within its income derived from such operations and that such operations should be fully self-supporting.

(2) In the further interest of assuring sound operation, any loan made by the [Association] *corporation in its secondary market opera-* made by the [Association] *corporation* in its secondary market operations under this section, and any extension or renewal thereof, shall not exceed 90 per centum of the unpaid principal balances of the mortgages securing the loan, and shall bear interest at a rate consistent with general loan policies established from time to time by the [Association's] *corporation's* board of directors. Any such loan shall mature in not more than twelve months and the term of any extension or renewal shall not exceed twelve months. The volume of the [Association's] *corporation's* lending activities and the establishment of its loan ratios, interest rates, maturities, and charges or fees, in its secondary

market operations under this section, should be determined by the [Association] *corporation* from time to time; and such determinations, in conjunction with determinations made under paragraph (1) should be consistent with the objectives that the lending activities should be conducted on such terms as will reasonably prevent excessive use of the [Association's] *corporation's* facilities, and that the operations of the [Association] *corporation* under this section should be within its income derived from such operations and that such operations should be fully self-supporting. Notwithstanding any Federal, State, or other law to the contrary, the [Association] *corporation* is hereby empowered, in connection with any loan under this section, whether before or after any default, to provide by contract with the borrower for the settlement or extinguishment, upon default, of any redemption, equitable, legal, or other right, title, or interest of the borrower in any mortgage or mortgages that constitute the security for the loan; and with respect to any such loan, in the event of default and pursuant otherwise to the terms of the contract, the mortgages that constitute such security shall become the absolute property of the [Association] *corporation*.

(b) For the purposes of this section, the [Association] *corporation* is authorized to issue, upon the approval of the Secretary of the Treasury, and have outstanding at any one time obligations having such maturities and bearing such rate or rates of interest as may be determined by the [Association] *corporation* with the approval of the Secretary of the Treasury, to be redeemable at the option of the [Association] *corporation* before maturity in such manner as may be stipulated in such obligations; but the aggregate amount of obligations of the [Association] *corporation* under this subsection outstanding at any one time shall not exceed fifteen times the sum of its capital, capital surplus, general surplus, reserves, and undistributed earnings [, and in] *unless a greater ratio shall be fixed at any time or from time to time by its board of directors. In* no event shall any such obligations be issued if, at the time of such proposed issuance, and as a consequence thereof, the resulting aggregate amount of its outstanding obligations under this subsection would exceed the amount of the [Association's] *corporation's* ownership pursuant to this section, free from any liens or encumbrances, of cash, mortgages, or other security holdings and obligations of the United States or guaranteed thereby, or obligations, participations, or other instruments which are lawful investments for fiduciary, trust, or public funds. The [Association] *corporation* shall insert appropriate language in all of its obligations issued under this subsection clearly indicating that such obligations, together with the interest thereon, are not guaranteed by the United States and do not constitute a debt or obligation of the United States or of any agency or instrumentality thereof other than the [Association] *corporation*. The [Association] *corporation* is authorized to purchase in the open market any of its obligations outstanding under this subsection at any time and at any price.

(c) The Secretary of the Treasury is authorized in his discretion to purchase any obligations issued pursuant to subsection (b) of this section, as now or hereafter in force, and for such purpose the Secretary of the Treasury is authorized to use as a public debt transaction the proceeds of the sale of any securities hereafter issued under the

Second Liberty Bond Act as now or hereafter in force, and the purposes for which securities may be issued under the Second Liberty Bond Act, as now or hereafter in force, are extended to include such purchases. The Secretary of the Treasury shall not at any time purchase any obligations under this subsection if [(1) all of the preferred stock of the Association held by the Secretary of the Treasury has been retired, or (2)] such purchase would increase the aggregate principal amount of his then outstanding holdings of such obligations under this subsection to an amount greater than $2,250,000,000. Each purchase of obligations by the Secretary of the Treasury under this subsection shall be upon such terms and conditions as to yield a return at a rate determined by the Secretary of the Treasury taking into consideration the current average rate on outstanding marketable obligations of the United States as of the last day of the month preceding the making of such purchase. The Secretary of the Treasury may, at any time, sell, upon such terms and conditions and at such price or prices as he shall determine any of the obligations acquired by him under this subsection. All redemptions, purchases, and sales by the Secretary of the Treasury of such obligations under this subsection shall be treated as public debt transactions of the United States.

(d) To provide a greater degree of liquidity to the mortgage investment market and an additional means of financing its operations under this section, the corporation is authorized to set aside any mortgages held by it under this section, and, upon approval of the Secretary of the Treasury, to issue and sell securities based upon the mortgages so set aside. Securities issued under this subsection may be in the form of debt obligations or trust certificates of beneficial interest, or both. Securities issued under this subsection shall have maturities and bear such rate or rates of interest as may be determined by the corporation with the approval of the Secretary of the Treasury. Securities issued by the corporation under this subsection shall, to the same extent as securities which are direct obligations of or obligations guaranteed as to principal and interest by the United States, be deemed to be exempt securities within the meaning of laws administered by the Securities and Exchange Commission. Mortgages set aside pursuant to this subsection shall at all times be adequate to enable the corporation to make timely principal and interest payments on the securities issued and sold pursuant to this subsection.

(e) For the purposes of this section, the corporation is authorized to issue, upon the approval of the Secretary of the Treasury, obligations which are subordinated to any or all other obligations of the corporation, including subsequent obligations. The obligations issued under this subsection shall have such maturities and bear such rate or rates of interest as may be determined by the corporation with the approval of the Secretary of the Treasury and may be made redeemable at the option of the corporation before maturity in such manner as may be stipulated in such obligations. Any of such obligations may be made convertible into shares of common stock in such manner, at such price or prices, and at such time or times as may be stipulated therein. The total principal amount of such subordinated obligations which may be outstanding at any one time shall not exceed two times the sum of the (1) capital of the corporation represented by its outstanding common stock and (2) its surplus and undistributed earnings at such time. The outstanding total principal amount of such obligations which are entirely subordinated to the obligations of the corporation issued or to be issued under subsection (b) shall be deemed to be capital of the

corporation for the purpose of determining the aggregate amount of obligations issued under subsection (b) which may be outstanding at any one time. Obligations issued by the corporation under this subsection shall, to the same extent as securities which are direct obligations of or obligations guaranteed as to principal or interest by the United States, be deemed to be exempt securities within the meaning of laws administered by the Securities and Exchange Commission. The corporation shall insert appropriate language in all of its obligations issued under this subsection clearly indicating that such obligations, together with the interest thereon, are not guaranteed by the United States and do not constitute a debt or obligation of the United States or of any agency or instrumentality thereof other than the corporation. The corporation is authorized to purchase in the open market any of its obligations outstanding under this subsection at any time and at any price.

SPECIAL ASSISTANCE FUNCTIONS—

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION

SEC. 305. (a) * * *

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(c) The total amount of purchase and commitments authorized by the President pursuant to subsection (a) of this section shall not exceed $1,700,000,000 outstanding at any one time, which limit shall be increased by $100,000,000 on the date of the enactment of the Housing and Urban Development Act of 1965, by $550,000,000 on July 1, 1967, [and] by $525,000,000 on July 1, 1968, *and by $500,000,000 on July 1, 1969.*

* * * * * * *

(i) In any case where the Association makes a commitment to purchase under this section (1) a mortgage insured under section 213, (2) a mortgage insured under section 220, [or] (3) a mortgage insured under section 221(d)(3) and executed by a cooperative (including an investor-sponsor), a limited dividend corporation, a private non-profit corporation or association, or a mortgagor qualified under section 221(e), *or (4) a mortgage insured under section 236*, such commitment may provide for participation by the Association in the making of insured advances on the mortgage during construction. Such participation shall be limited to 95 per centum of the amount of each of the advances involved, and the mortgagee providing the balance of such amount shall perform all necessary servicing and processing of such advances until the final insurance endorsement of the mortgage. The Secretary of Housing and Urban Development shall approve the reasonableness of the fee to be paid a participating mortgagee, taking into account its services and the extent of its participation in the advances.

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MANAGEMENT AND LIQUIDATING FUNCTIONS—*GOVERNMENT NATIONAL MORTGAGE ASSOCIATION*

SEC. 306. (a) * * *

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(g) The Association is authorized, upon such terms and conditions as it may deem appropriate, to guarantee the timely payment of principal of and interest on such trust certificates or other securities as shall (1) be issued by the corporation under section 304(d), or by any other issuer approved for the purposes of this subsection by the Association, and (2) be based on and backed by a trust or pool composed of mortgages which are insured under the National Housing Act or title V of the Housing Act of 1949, or which are insured or guaranteed under the Servicemen's Readjustment Act of 1944 or chapter 37 of title 38, United States Code. The Association shall collect from the issuer a reasonable fee for any guaranty under this subsection and shall make such charges as it may determine to be reasonable for the analysis of any trust or other security arrangement proposed by the issuer. In the event the issuer is unable to make any payment of principal of or interest on any security guaranteed under this subsection, the Association shall make such payment as and when due in cash, and thereupon shall be subrogated fully to the rights satisfied by such payment. Any Federal, State, or other law to the contrary notwithstanding, the Association is hereby empowered, in connection with any guaranty under this subsection, whether before or after any default, to provide by contracts with the issuer for the extinguishment, upon default by the issuer, of any redemption, equitable, legal, or other right, title, or interest of the issuer in any mortgage or mortgages constituting the trust or pool against which the guaranteed securities are issued; and with respect to any issue of guaranteed securities, in the event of default and pursuant otherwise to the terms of the contract, the mortgages that constitute such trust or pool shall become the absolute property of the Association subject only to the unsatified rights of the holders of the securities based on and backed by such trust or pool. the full faith and credit of the United States is pledged to the payment of all amounts which may be required to be paid under any guaranty under this subsection. There shall be excluded from the total amounts set forth in subsection (c) the amounts of any mortgages acquired by the Association as a result of its operations under this subsection.

SEPARATE ACCOUNTABILITY

[SEC. 307. (a) The association shall establish and at all times maintain separate accountability for (1) its secondary market operations authorized by section 304 hereof, (2) its special assistance functions authorized by section 305 hereof, and (3) its management and liquidating functions authorized by section 306 hereof.

[(b) With respect to the functions or operations of the Association under sections 305 and 306, respectively, of this title, (1) there shall be no recourse to the capitalization of the Association provided for by section 303 of this title, and (2) mortgage sellers shall not be required to make payment to the Association of the capital contributions provided for by section 303(b) of this title.]

[(c)] *SEC. 307.* All of the benefits and burdens incident to the administration of the functions and operations of the Association under sections 305 and 306, respectively of this title, after allowance for related obligations of the Association, its prorated expenses, and the like, including amounts required for the establishment of such reserves as the [board of directors of the Association] *Secretary of Housing and Urban Development* shall deem appropriate, shall inure

solely to the Secretary of the Treasury, and such related earnings or other amounts as become available shall be paid annually by the Association to the Secretary of the Treasury for covering into miscellaneous receipts.

[BOARD OF DIRECTORS] *MANAGEMENT*

SEC. 308. (*a*) [The] *All the powers and duties of the Government National Mortgage* Association shall [have a Board of Directors consisting of five persons, one of whom shall] be *vested in* the Secretary of Housing and Urban Development *and the Association shall be administered under the direction of the Secretary* [as Chairman of the Board, and four of whom shall be appointed by the Secretary from among the officers or employees of the Association, of the immediate office of the Secretary, or (with the consent of the head of such department or agency) of any other department or agency of the Federal Government. The board of directors shall meet at the call of its chairman, who shall require it to meet not less often than once each month.] Within the limitations of law, the [board] *Secretary* shall determine the general policies which shall govern the operations of the Association, *and shall have power to adopt, amend, and repeal bylaws governing the performance of the powers and duties granted to or imposed upon it by law.* The [chairman of the board] *Secretary* shall select and effect the appointment of qualified persons to fill the offices of president and vice president, and such other offices as may be provided for in the bylaws, with such executive functions, powers, and duties as may be prescribed by the bylaws or by the [board of directors] *Secretary*, and such persons shall be the executive officers of the Association and shall discharge all such executive functions, powers, and duties. [The members of the board, as such, shall not receive compensation for their services.]

(*b*) *The Federal National Mortgage Association shall have a board of directors which shall consist of fifteen persons, one-third of whom shall be appointed annually by the President of the United States, and the remainder of whom shall be elected annually by the common stockholders. The board shall at all times have as members appointed by the President at least one person from the homebuilding industry and at least one person from the real estate industry. Each member of the board of directors shall be appointed or elected for a term ending on the date of the next annual meeting of the stockholders, except that any such member may be removed from office by the Secretary for good cause. Any elective seat on the board which becomes vacant after the annual election of the directors shall be filled by the board, but only for the unexpired portion of the term. Any appointive seat which becomes vacant shall be filled by appointment of the President, but only for the unexpired portion of the term. Within the limitations of law and regulation, the board shall determine the general policies which shall govern the operations of the corporation, and shall have power to adopt, amend, and repeal bylaws governing the performance of the powers and duties granted to or imposed upon it by law. The board of directors shall select and effect the appointment of qualified persons to fill the offices of president and vice president, and such other offices as may be provided for in the bylaws. Any member of the board who is a full-time officer or employee of the Federal Government shall not, as such member, receive compensation for his services.*

GENERAL POWERS

SEC. 309. (a) [The Association] *Each of the bodies corporate named in section 302(a)(2)* shall have power to adopt, alter, and use a corporate seal, which shall be judicially noticed; [by its board of directors, to adopt, amend, and repeal bylaws governing the performance of the powers and duties granted to or imposed upon it by law;] to enter into and perform contracts, leases, cooperative agreements, or other transactions, on such terms as it may deem appropriate, with any agency or instrumentality of the United States, or with any State, Territory, or possession, or the Commonwealth of Puerto Rico, or with any political subdivision thereof, or with any person, firm, association, or corporation; to execute, in accordance with its bylaws, all instruments necessary or appropriate in the exercise of any of its powers; in its corporate name, to sue and to be sued, and to complain and to defend, in any court of competent jurisdiction, State or Federal, but no attachment, injunction, or other similar process, mesne or final, shall be issued against the property of the Association or against the Association with respect to its property; to conduct its business *without regard to any qualification or similar statute* in any State of the United States, including the District of Columbia, the Commonwealth of Puerto Rico, and the Territories and possessions of the United States; to lease, purchase, or acquire any property, real, personal, or mixed, or any interest therein, to hold, rent, maintain, modernize, renovate, improve, use, and operate such property, and to sell, for cash or credit, lease, or otherwise dispose of the same, at such time and in such manner as and to the extent that [the Association] *it* may deem necessary or appropriate; to prescribe, repeal, and amend or modify, rules, regulations, or requirements governing the manner in which its general business may be conducted; to accept gifts or donations of services, or of property, real, personal, or mixed, tangible, or intangible, in aid of any of [the] *its* purposes [of the Association]; and to do all things as are necessary or incidental to the proper management of its affairs and the proper conduct of its business.

(b) Except as may be otherwise provided in this title, in the Government Corporation Control Act, or in other laws specifically applicable to Government corporations, the Association shall determine the necessity for and the character and amount of its obligations and expenditures and the manner in which they shall be incurred, allowed, paid, and accounted for.

(c)(*1*) The Association, including its franchise, capital, reserves, surplus, mortgages or other security holdings, and income shall be exempt from all taxation now or hereafter imposed by the United States, by any territory, dependency, or possession thereof, or by any State, county, municipality, or local taxing authority, except that [(1)] any real property of the Association shall be subject to State, territorial, county, municipal, or local taxation to the same extent according to its value as other real property is taxed[, and (2) the Association shall, with respect to its secondary market operations under section 304 after the cutoff date referred to in section 303(d) of this title, pay annually to the Secretary of the Treasury, for covering into miscellaneous receipts, an amount equivalent to the amount of Federal income taxes for which it would be subject if it

were not exempt from such taxes with respect to such secondary market operations].

(2) The corporation, including its franchise, capital, reserves, surplus, mortgages or other security holdings, and income, shall be exempt from all taxation now or hereafter imposed by any State, territory, possession, Commonwealth, or dependency of the United States, or by the District of Columbia, or by any county, municipality, or local taxing authority, except that any real property of the corporation shall be subject to State, territorial, county, municipal, or local taxation to the same extent as other real property is taxed.

(d)*(1)* The [Chairman of the Board] *Secretary of Housing and Urban Development* shall have power to select and appoint or employ such officers, attorneys, employees, and agents *of the Government National Mortgage Association,* to vest them with such powers and duties, and to fix and to cause the Association to pay such compensation to them for their services, as he may determine, subject to the civil service and classification laws. Bonds may be required for the faithful performance of their duties, and the Association may pay the premiums therefor. With the consent of any Government corporation or Federal Reserve bank, or of any board, commission, independent establishment, or executive department of the Government, the Association may avail itself on a reimbursable basis of the use of information, services, facilities, officers, and employees thereof, including any field service thereof, in carrying out the provisions of this title.

(2) The board of directors of the corporation shall have the power to select and appoint or employ such officers, attorneys, employees, and agents, to vest them with such powers and duties, and to fix and to cause the corporation to pay such compensation to them for their services, as it may determine; and any such action shall be without regard to the Federal civil service and classification laws. Appointments, promotions, and separations so made shall be based on merit and efficiency, and no political test or qualification shall be permitted or given consideration. Each officer and employee of the corporation who is employed by the corporation prior to the termination of the transitional period referred to in section 710(b) of the Housing and Urban Development Act of 1968 and who on the day previous to the beginning to such employment will have been subject to the civil service retirement law (subch. III of ch. 83 of title 5, United States Code), shall, so long as his employment by the corporation continues without a break in continuity of service, continue to be subject to such law; and for the purpose of such law his employment by the corporation without a break in continuity of service shall be deemed to be employment by the Government of the United States. The corporation shall contribute to the Civil Service Retirement and Disability Fund a sum as provided by section 8334(a) of title 5, United States Code, except that such sum shall be determined by applying to the total basic pay (as defined in 5 U.S.C. 8331(3) and except as hereinafter provided) paid to the employees of the corporation who are covered by the civil service retirement law, the per centum rate determined annually by the United States Civil Service Commission to be the excess of the total normal cost per centum rate of the civil service retirement system over the employee deduction rate specified in section 8334(a) of title 5, United States Code. The corporation shall also pay into the Civil Service Retirement and Disability Fund such portion of the cost of administration of the Fund as is determined by the

United States Civil Service Commission to be attributable to its employees. Notwithstanding the foregoing provisions, there shall not be considered for the purposes of the civil service law that portion of the basic pay in any one year of any officer or employee of the corporation which exceeds the basic pay provided for in section 5312 of title 5, United States Code, on the last day of such year. Except as provided in this subsection, the corporation shall not be subject to the provisions of title 5, United States Code.

(e) No individual, association, partnership, or corporation, except the [body] *bodies* corporate [created by] *named in* section [302] *302(a)(2)* of this title, shall hereafter use the words "Federal National Mortgage Association", *"Government National Mortgage Association"*, or any combination of such words as the name or a part thereof under which he or it shall do business. [Every individual, partnership, association, or corporation violating this prohibition shall be guilty of a misdemeanor and shall be punished by a fine of not exceeding $100 or imprisonment not exceeding thirty days, or both, for each day during which such violation is committed or repeated.] *Violations of the foregoing sentence may be enjoined by any court of general jurisdiction at the suit of the proper body corporate. In any such suit, the plaintiff may recover any actual damages flowing from such violation, and, in addition, shall be entitled to punitive damages (regardless of the existence or nonexistence of actual damages) of not exceeding $100 for each day during which such violation is committed or repeated.*

(f) In order that the Association may be supplied with such forms of obligations or certificates as it may need for issuance under this title, the Secretary of the Treasury is authorized, upon request of the Association, to prepare such forms as shall be suitable and approved by the Association, to be held in the Treasury, subject to delivery, upon order of the Association. The engraved plates, dies, bed pieces, and other material executed in connection therewith shall remain in the custody of the Secretary of the Treasury. The Association shall reimburse the Secretary of the Treasury for any expenses incurred in the preparation, custody, and delivery of such forms.

(g) The Federal Reserve banks are authorized and directed to act as depositaries, custodians, and fiscal agents for [the Association in the general performance of its powers, and the Association shall reimburse such Federal Reserve banks for such services in such manner as may be agreed upon.] *each of the bodies corporate named in section 302(a)(2), for its own account or as fiduciary, and such banks shall be reimbursed for such services in such manner as may be agreed upon; and each of such bodies corporate may itself act in such capacities, for its own account or as fiduciary, and for the account of others.*

(h) The Secretary of Housing and Urban Development shall have general regulatory power over the Federal National Mortgage Association and shall make such rules and regulations as shall be necessary and proper to insure that the purposes of this title are accomplished. No stock, obligation, security, or other instrument shall be issued by the corporation without the prior approval of the Secretary. The Secretary may require that a reasonable portion of the corporation's mortgage purchases be related to the national goal of providing adequate housing for low- and moderate-income families, but with reasonable economic return to the corporation. The Secretary may examine and audit the books and financial transactions of the corporation, and he may require the corporation to make such reports on its activities as he deems advisable.

INVESTMENT OF FUNDS

SEC. 310. Moneys of the Association not invested in mortgages or other security holdings or in operating facilities shall be kept in cash on hand or on deposit, or invested in obligations of the United States or guaranteed thereby, or in obligations, participations, or other instruments which are lawful investments for fiduciary, trust, or public funds.

OBLIGATIONS OF ASSOCIATION LEGAL INVESTMENTS

SEC. 311. All obligations, participations, or other instruments issued by [the Association] *either of the bodies corporate named in section 302(a)(2)* shall be lawful investments, and may be accepted as security for all fiduciary, trust, and public funds, the investment or deposit of which shall be under the authority and control of the United States or any officer or officers thereof. *All stock, obligations, securities, participations, or other instruments issued pursuant to this title shall, to the same extent as securities which are direct obligations of or obligations guaranteed as to principal or interest by the United States, be deemed to be exempt securities within the meaning of laws administered by the Securities and Exchange Commission; but all such issuances shall be made only with the approval of the Secretary of Housing and Urban Development.*

SHORT TITLE

SEC. 312. This title III may be referred to as the "Federal National Mortgage Association Charter Act".

TITLE IV—INSURANCE OF SAVINGS AND LOAN ACCOUNTS

* * * * * * *

DEFINITIONS

SECTION 401. As used in this title—

* * * * * * *

(c) The term "insured account" means a share, certificate, or deposit account of a type approved by the Federal Savings [and Loan] Insurance Corporation which is held by an insured member in an insured institution and which is insured under the provisions of this title.

* * * * * * *

CREATION OF FEDERAL SAVINGS [AND LOAN] INSURANCE CORPORATION

SEC. 402. (a) There is hereby created a Federal Savings [and Loan] Insurance Corporation (hereinafter referred to as the "Corporation"), which shall insure the accounts of institutions eligible for insurance as hereinafter provided, and shall be under the direction of a board of trustees to be composed of five members and operated by it under such bylaws, rules, and regulations as it may prescribe for carrying out the purposes of this title. The members of the Federal Home Loan Bank Board shall constitute the board of trustees of the Corporation and shall serve as such without additional compensation. The principal office of the Corporation shall be in the District of Columbia.

* * * * * * *

(g) No individual, association, partnership, or corporation shall use the words "Federal Savings [and Loan] Insurance Corporation", or any combination of any of these words which would have the effect of leading the public in general to believe there was any connection, actually not existing, between such individual, association, partnership, or corporation and the Federal Savings [and Loan] Insurance Corporation, as the name under which he or it shall hereafter do business. No individual, association, partnership, or corporation shall advertise or otherwise represent falsely by any device whatsoever that his or its accounts are insured or in anywise guaranteed by the Federal Savings [and Loan] Insurance Corporation, or by the Government of the United States, or by any instrumentality thereof; and no insured member shall advertise or otherwise represent falsely by any device whatsoever the extent to which or the manner in which its accounts are insured by the Federal Savings [and Loan] Insurance Corporation. Every individual, partnership, association, or corporation violating this subsection shall be punished by a fine of not exceeding $1,000, or by imprisonment not exceeding one year, or both.

* * * * * * *

INSURANCE OF ACCOUNTS AND ELIGIBILITY PROVISIONS

[SEC. 403. (a) It shall be the duty of the Corporation to insure the accounts of all Federal savings and loan associations, and it may insure the accounts of building and loan, savings and loan, and homestead associations and cooperative banks organized and operated according to the laws of the State, District, Territory, or possession in which they are chartered or organized.]

SEC. 403. (a)(1) The Corporation shall insure the accounts and deposits of all Federal savings and loan associations and of all Federal savings associations.

(2) The Corporation may insure the accounts and deposits of mutual savings banks not eligible to make application to become insured banks of the Federal Deposit Insurance Corporation, building and loan, savings and loan, and homestead associations, and cooperative banks chartered or organized under the laws of a State, District, territory, or possession.

(b) Application for such insurance shall be made immediately by each [Federal savings and loan association] *institution referred to in subsection (a)(1) of this section*, and may be made at any time by [other eligible institutions] *any institution referred to in subsection (a)(2) of this section*. Such applications shall be in such form as the Corporation shall prescribe, and shall contain an agreement (1) to pay the reasonable cost of such examinations as the Corporation shall deem necessary in connection with such insurance, and (2) if the insurance is granted, to permit and pay the cost of such examinations as in the judgment of the Corporation may from time to time be necessary for its protection and the protection of other insured institutions, to permit the Corporation to have access to any information or report with respect to any examination made by any public regulatory authority and to furnish any additional information with respect thereto as the Corporation may require, and to pay the pre-

mium charges for insurance as hereinafter provided. Each applicant for such insurance shall also file with its application an agreement that during the period that the insurance is in force it will not make any loans beyond one hundred miles from its principal office, except (1) loans in the area beyond such one-hundred-mile limit in which it was operating prior to June 27, 1934, and (2) loans which are made pursuant to regulations of the Coperation: *Provided*, That such agreement shall further provide that any loan made beyond fifty miles from the applicant's principal office (and outside the territory in which it was operating on such date) shall also be subject to such regulations; will not, after it becomes an insured institution, issue securities which guarantee a definite return or which have a definite maturity except with the specific approval of the Corporation, or issue any securities the form of which has not been approved by the Corporation; will not carry on any sales plan or practices, or any advertising, in violation of regulations to be made by the Corporation; will provide adequate reserves satisfactory to the Corporation, to be established in accordance with regulations made by the Corporation, before paying dividends to its insured members; but such regulations shall require the building up of reserves to 5 per centum of all insured accounts within a reasonable period, not exceeding twenty years, and shall prohibit the payment of dividends from such reserves, or the payment of any dividends if any losses are chargeable to such reserves: *Provided*, That for any year dividends may be declared and paid when losses are chargeable to such reserves if the declaration of such dividends in such case is approved by the Corporation.

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LIQUIDATION OF INSURED INSTITUTIONS

SEC. 406. (a) In order to facilitate the liquidation of insured institutions, the Corporation is authorized (1) to contract with any insured institution with respect to the making available of insured accounts to the insured members of any insured institution in default, or (2) to provide for the organization of a new Federal savings [and loan] association for such purpose subject to the approval of the Federal Home Loan Bank Board.

(b) In the event that a Federal savings and loan association *or Federal savings association* is in default, the Corporation shall be appointed as conservator or receiver and is authorized as such (1) to take over the assets of and operate such association, (2) to take such action as may be necessary to put it in a sound and solvent condition, (3) to merge it with another insured institution, (4) to organize a new Federal savings [and loan] association to take over its assets, or (5) to proceed to liquidate its assets in an orderly manner, whichever shall appear to be to the best interests of the insured members of the association in default; and in any event the Corporation shall pay the insurance as provided in section 405 and all valid credit obligations of such association. The surrender and transfer to the Corporation of an insured account in any such association which is in default shall subrogate the Corporation with respect to such insured account, but shall not affect any right which the insured member may have in the uninsured portion of his account or any right

which he may have to participate in the distribution of the net proceeds remaining from the disposition of the assets of such association.

(c) In the event any insured institution other than a Federal savings and loan association *or a Federal savings association* is in default, the Corporation shall have authority to act as conservator, receiver, or other legal custodian of such insured institution, and the services of the Corporation are tendered to the court or other public authority having the power of appointment. If the Corporation is so appointed, it shall have the same powers and duties with respect to the insured institution in default as are conferred upon it under subsection (b) of this section with respect to Federal savings and loan associations. If the Corporation is not so appointed it shall pay the insurance as provided in section 405, and shall have power (1) to bid for the assets of the insured institution in default, (2) to negotiate for the merger of the insured institution or the transfer of its assets, or (3) to make any other disposition of the matter as it may deem in the best interests of all concerned.

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SEC. 407. TERMINATION OF INSURANCE AND ENFORCEMENT PROVISIONS.—

(a) VOLUNTARY TERMINATION OF INSURANCE.—Any insured institution [other than a Federal savings and loan association] *referred to in section 403(a)(2) of this title* may terminate its status as an insured institution by written notice to the Corporation specifying a date for such termination.

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REGULATION OF HOLDING COMPANIES

SEC. 408. (a)(1) As used in this section, the term "company" means any corporation, business trust, association, or similar organization, but does not include the Federal Savings [and Loan] Insurance Corporation, any partnership, or any company the majority of the shares of which is owned by the United States or by any State.

* * * * * * *

SEC. 411. (a) Except with the prior written approval of the Corporation, no insured institution shall—

(1) merge or consolidate with any other institution;

(2) assume liability to pay any deposits, share accounts, or similar liabilities of any other institution;

(3) transfer assets to any other institution in consideration of the assumption of liabilities for any portion of the deposits, share accounts, or similar liabilities of such insured institution.

(b) Notice of any proposed transaction for which approval is required under subsection (a) (referred to hereafter in this section as a "merger transaction") shall, unless the Corporation finds that it must act immediately in order to prevent the probable failure of one of the institutions involved, be published—

(1) prior to the granting of approval of such transaction,

(2) in a form approved by the Corporation,

(3) at appropriate intervals during a period at least as long as the period allowed for furnishing a report under subsection (c) of this section, and

(4) in a newspaper of general circulation in the community or communities where the main offices of the institutions involved are loacted, or, if there is no such newspaper in any such community, then in the newspaper of general circulation published nearest thereto.

(c) In the interests of uniform standards, before acting on any application for approval of a merger transaction, the Corporation, unless it finds that it must act immediately in order to prevent the probable failure of one of the institutions involved, shall request a report on the competitive factors involved from the Attorney General. The report shall be furnished within thirty calendar days of the date on which it is requested, or within ten calendar days of such date if the Corporation advises the Attorney General that an emergency exists requiring expeditious action.

(d) The Corporation shall not approve—

(A) any proposed merger transaction which would result in a monopoly, or which would be in furtherance of any combination or conspiracy to monopolize or to attempt to monopolize the business of thrift institutions in any part of the United States, or

(B) any other proposed merger transaction whose effect in any section of the country may be substantially to lessen competition, or to tend to create a monopoly, or which in any other manner would be in restraint of trade, unless it finds that the anticompetitive effects of the proposed transaction are clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the community to be served.

In every case, the Corporation shall take into consideration the financial and managerial resources and future prospects of the existing and proposed institutions, and the convenience and needs of the community to be served.

(e) The Corporation shall immediately notify the Attorney General of any approval by it pursuant to this subsection of a proposed merger transaction. If the Corporation has found that it must act immediately to prevent the probable failure of one of the institutions involved and the report on the competitive factors has been dispensed with, the transaction may be consummated immediately upon approval by the Corporation. If the Corporation has advised the Attorney General of the existence of an emergency requiring expeditious action and has requested the report on the competitive factors within ten days, the transaction may not be comsummated before the fifth calendar day after the date of approval by the Corporation. In all other cases, the transaction may not be consummated before the thirtieth calendar day after the date of approval by the Corporation.

(f) (1) Any action brought under the antitrust laws arising out of a merger transaction shall be commenced prior to the earliest time under subsection (e) at which a merger transaction approved under subsection (d) might be consummated. The commencement of such an action shall stay the effectiveness of the Corporation's approval unless the court shall otherwise specifically order. In any such action the court shall review de novo the issues presented.

(2) In any judicail proceeding attacking a merger transaction approved under subsection (d) on the ground that the merger transaction alone and of itself constituted a violation of any antitrust laws other than section 2 of the Act of July 2, 1890 (section 2 of the Sherman Antitrust Act, 15

U.S.C. 2), the standards applied by the court shall be identical with those that the Corporation is directed to apply under subsection (d).

(3) Upon the consummation of a merger transaction in compliance with this section and after the termination of any antitrust litigation commenced within the period prescribed in this subsection, or upon the termination of such period if no such litigation is commenced therein, the transaction may not thereafter be attacked in any judicial proceeding on the ground that it alone and of itself constituted a violation of any antitrust laws other than section 2 of the Act of July 2, 1890 (section 2 of the Sherman Antitrust Act, 15 U.S.C. 2), but nothing in this section shall exempt any institution resulting from a merger transaction from complying with the antitrust laws after the consummation of such transaction.

(4) In any action brought under the antitrust laws arising out of a merger transaction approved by the Corporation pursuant to this section, the Corporation, and any State banking supervisory agency having jurisdiction within the State involved, may appear as a party of its own motion and as of right, and be represented by its counsel.

(g) For the purposes of this section, the term "antitrust laws" means. the Act of July 2, 1890 (the Sherman Antitrust Act, 15 U.S.C. 1–7), the Act of October 15, 1914 (the Clayton Act, 15 U.S.C. 12–27), and any other Acts in pari materia.

(h) The Corporation shall include in its annual report to the Congress a description of each merger transaction approved by it during the period covered by the report, along with the following information:

(1) the name and total resources of each institution involved;

(2) whether a report was submitted by the Attorney General under paragraph (4), and, if so, a summary by the Attorney General of the substance of such report; and

(3) a statement by the Corporation of the basis for its approval.

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TITLE V—MISCELLANEOUS

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ESTABLISHMENT OF GENERAL INSURANCE FUND

SEC. 519. (a) There is hereby created a General Insurance Fund which shall be used by the Secretary, on and after the date of the enactment of the Housing and Urban Development Act of 1965, as a revolving fund for carrying out all the insurance provisions of this Act with the exception of those specified in subsection (e). All mortgages or loans insured under this Act pursuant to commitments issued on or after the date of the enactment of the Housing and Urban Development Act of 1965, except those specified in subsection (e), and all loans reported for insurance under section 2 on or after the date of the enactment of the Housing and Urban Development Act of 1965, shall be insured under the General Insurance Fund. The Secretary shall transfer to the General Insurance Fund—

(1) the assets and liabilities of all insurance accounts and funds, except the Mutual Mortgage Insurance Fund, existing under this Act immediately prior to the enactment of the Housing and Urban Development Act of 1965;

(2) all outstanding commitments for insurance issued prior to the date of the enactment of the Housing and Urban Development Act of 1965, except those specified in subsection (e);

(3) the insurance on all mortgages and loans insured prior to the date of the enactment of the Housing and Urban Development Act of 1965, except insurance specified in subsection (e); and

(4) the insurance of all loans made by approved financial institutions pursuant to section 2 prior to the date of the enactment of the Housing and Urban Development Act of 1965.

* * * * * * *

(e) The General Insurance Fund shall not be used for carrying out the provisions of sections 203(b), 203(h), and 203(i), or the provisions of section 213 to the extent that they involve mortgages the insurance for which is the obligation of the Cooperative Management Housing Insurance Fund created by section 213(k), *or the provisions of sections 223(e), 233(a)(2), 235, 236, and 237*; and nothing in this section shall apply to or affect any mortgages, loans, commitments, or insurance under such provisions.

OPTIONAL CASH PAYMENT OF INSURANCE BENEFITS

SEC. 520. (a) Notwithstanding any other provisions of this Act with respect to the payment of insurance benefits, the Secretary is authorized, in his discretion, to pay in cash or in debentures any insurance claim or part thereof which is paid on or after the date of the enactment of the Housing and Urban Development Act of 1965 on a mortgage or a loan which was insured under any section of this Act either before or after such date. If payment is made in cash, it shall be in an amount equivalent to the face amount of the debentures that would otherwise be issued plus an amount equivalent to the interest which the debentures would have earned, computed to a date to be established pursuant to regulations issued by the Secretary.

(b) The Secretary is authorized to borrow from the Treasury from time to time such amounts as the Secretary shall determine are necessary (*1*) to make payments in cash (in lieu of issuing debentures guaranteed by the United States, as provided in this Act) pursuant to the provisions of this section, *and (2) to make payments for reinsured losses under title XII of this Act: Provided, however, That borrowings to make payments for reinsured losses under title XII shall be limited to $150,000,000 or such further sum as the Congress, by joint resolution, may from time to time determine.* Notes or other obligations issued by the Secretary in borrowing under this subsection shall be subject to such terms and conditions as the Secretary of the Treasury may prescribe. Each sum borrowed pursuant to this subsection shall bear interest at a rate determined by the Secretary of the Treasury, taking into consideration the average market yield on outstanding marketable obligations of the United States of comparable maturities during the month preceding the issuance of such notes or other obligations.

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TITLE VIII—ARMED SERVICES HOUSING MORTGAGE INSURANCE

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SEC. 810. (a) Notwithstanding any other provision of this title, the Secretary may insure and make commitments to insure any

mortgages under this section which meets the eligibility requirements hereinafter set forth.

(e) For the purpose of providing multifamily rental housing projects or housing projects consisting of individual single-family dwellings for sale, the Secretary is authorized to insure mortgages (including advances on such mortgages during construction) which cover property held by a [private corporation, association, cooperative society or trust] *mortgagor approved by the Secretary*. Any such mortgagor shall possess powers necessary therefor and incidental thereto and shall until the termination of all obligations of the Secretary under such insurance be regulated or restricted as to rents or sales, charges, capital structure, rate of return, and methods of operation to such extent and in such manner as to provide reasonable rentals to tenants and a reasonable return on the investment. The Secretary may make such contracts with, and acquire for not to exceed $100 such stock or interest in, any such [corporation, association cooperative society, or trust] *mortgagor* as he may deem necessary to render effective such restriction or regulation. Such stock or interest shall be paid for out of the General Insurance Fund, and shall be redemmed by the [corporation, association, cooperative society, or trust] *mortgagor* at par upon the termination of all obligations of the Secretary under the insurance.

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TITLE X—MORTGAGE INSURANCE FOR LAND DEVELOPMENT

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BASIC CONDITIONS FOR INSURANCE

SEC. 1002. (a) The Secretary is authorized (1) to insure upon such terms and conditions as he may prescribe, any first mortgage (including advances on such mortgage) in accordance with the provisions of this title, and (2) to make a commitment for the insurance of such mortgage prior to the date of execution of such mortgage or prior to the date of disbursement of the mortgage proceeds. No mortgage shall be insured under this title after October 1, 1969, except pursuant to a commitment to insure issued before such date.

(b) The mortgage shall—

(1) be executed by a mortgagor, other than a public body, approved by the Secretary;

(2) be made to and held by a mortgagee approved by the Secretary; and

(3) cover the land to be developed and the improvements to be made with the assistance of the mortgage insurance under this title, except facilities intended for public use and in public ownership.

(c) The principal obligation of the mortgage shall (1) not exceed 75 per centum of the Secretary's estimate of the value of the property upon completion of the land development, and (2) not exceed the sum of 50 per centum of the Secretary's estimate of the value of the land before development and 90 per centum of his estimate of the cost of such development. The outstanding principal obligations of mortgages involving a single land development undertaking, as defined by the Secretary, shall at no time exceed $25,000,000.

(d) The mortgage shall—

(1) contain repayment provisions satisfactory to the Secretary and have a maturity not to exceed [seven] *ten* years, or such longer maturity as the Secretary deems reasonable (A) in the case of a privately owned system for water or sewerage, and (B) in the case of a new community approved under section 1004;

(2) bear interest at a rate satisfactory to the Secretary, and such interest shall be exclusive of premium charges for mortgage insurance and such service charges and fees as may be approved by the Secretary; and

(3) contain such terms and provisions with respect to protection of the security, payment of taxes, delinquency charges, prepayment, additional and secondary liens, and other matters as the Secretary may in his discretion prescribe.

(e) A property or project to be financed by a mortgage insured under this title shall—

(1) represent a good mortgage insurance risk; and

(2) involve improvements that comply with all applicable State and local governmental requirements and with minimum standards approved by the Secretary.

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TITLE XI—MORTGAGE INSURANCE FOR GROUP PRACTICE FACILITIES

INSURANCE OF MORTGAGES

SEC. 1101. (a) The Secretary is authorized (1) to insure mortgages (including advances on such mortgages during construction), upon such terms and conditions as he may prescribe, in accordance with the provisions of this title, and (2) to make commitments for the insuring of such mortgages prior to the date of their execution or disbursement thereon. No mortgage shall be insured under this title after October 1, 1969, except pursuant to a commitment to insure issued before that date.

(b) To be eligible for insurance under this title, the mortgage shall (1) be executed by a mortgagor that is a group practice unit or organization, approved by the Secretary, (2) be made to and held by a mortgagee approved by the Secretary as responsible and able to service the mortgage properly, and (3) cover a property or project which is approved for mortgage insurance prior to the beginning of construction or rehabilitation and is designed for use as a group practice facility which the Secretary finds will be constructed in an economical manner, will not be of elaborate or extravagant design or materials, and will be adequate and suitable for carrying out the purposes of

this title. No mortgage shall be insured under this title unless it is shown to the satisfaction of the Secretary that the applicant would be unable to obtain the mortgage loan without such insurance on terms comparable to those specified in subsection (c).

(c) The mortgage shall—

(1) not exceed $5,000,000;

(2) not exceed 90 per centum of the amount which the Secretary estimates will be the value of the property or project when construction or rehabilitation is completed. The value of the property may include the land and the proposed physical improvements, equipment, utilities within the boundaries of the property, architects' fees, taxes, and interest accruing during construction or rehabilitation, and other miscellaneous charges incident to construction or rehabilitation and approved by the Secretary;

(3) have a maturity satisfactory to the Secretary but not to exceed twenty-five years *from the beginning of amortization of the mortgage*, and provide for complete amortization of the principal obligation by periodic payments within such term as the Secretary shall prescribe; and

(4) bear interest (exclusive of premium charges for insurance, and service charges if any) at a rate of not to exceed 5 per centum per annum of the amount of the principal obligation outstanding at any time, or not to exceed such rate (not in excess of 6 per centum per annum) as the Secretary finds necessary to meet the mortgage market.

(d) Any contract of insurance executed by the Secretary under this title shall be conclusive evidence of the eligibility of the mortgage for insurance, and the validity of any contract for insurance so executed shall be incontestable in the hands of an approved mortgagee from the date of the execution of such contract, except for fraud or misrepresentation on the part of such approved mortgagee.

(e) Each mortgage insured under this title shall contain an undertaking (in accordance with regulations prescribed under this title and in force at the time the mortgage is approved for insurance) to the effect that, except as authorized by the Secretary and the mortgagee, the property will be used as a group practice facility until the mortgage has been paid in full or the contract of insurance otherwise terminated.

(f) No mortgage shall be insured under this title unless the mortgagor and the mortgagee certify (1) that they will keep such records relating to the mortgage transaction and indebtedness, to the construction of the facility covered by the mortgage, and to the use of such facility as a group practice facility as are prescribed by the Secretary at the time of such certification, (2) that they will make such reports as may from time to time be required by the Secretary pertaining to such matters, and (3) that the Secretary shall have access to and the right to examine and audit such records.

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TITLE XII—NATIONAL INSURANCE DEVELOPMENT PROGRAM

PROGRAM AUTHORITY

SEC. 1201. (a) The Secretary is authorized to establish and carry out the programs provided for in parts A, B, and C of this title.

(b)(1) The powers of the Secretary under this title shall terminate on April 30, 1973, except to the extent necessary—

(A) to continue reinsurance in accordance with the provisions of section 1223(b) until April 30, 1976;

(B) to process, verify, and pay claims for reinsured losses and perform other necessary functions in connection therewith; and

(C) to complete the liquidation and termination of the reinsurance program.

(2) On April 30, 1976, or as soon thereafter as possible, the Secretary shall submit to the Congress, for its approval, a plan for the liquidation and termination of the reinsurance program.

ADVISORY BOARD; MEETINGS, DUTIES, COMPENSATION, AND EXPENSES

SEC. 1202. (a)(1) There is established an Advisory Board (hereinafter called the "Board") consisting of nineteen members appointed by the Secretary. Members of the Board shall be selected from among representatives of the general public, the insurance industry, State and local governments including State insurance authorities, and the Federal Government. Of these members of the Board, not more than six shall be regular full-time employees of the Federal Government, and not less than four shall be representatives of the private insurance industry and not less than four shall be representatives of State insurance authorities.

(2) The Secretary shall designate a Chairman and Vice Chairman of the Board.

(3) Each member shall serve for a term of two years or until his successor has been appointed, except that no person who is appointed while a full-time employee of a State or the Federal Government shall serve in such position after he ceases to be so employed, unless he is reappointed.

(4) Any member appointed to fill a vacancy occurring prior to the expiration of the term for which his predecessor was appointed shall be appointed for the remainder of that term.

(b) The Chairman shall preside at all meetings, and the Vice Chairman shall preside in the absence or disability of the Chairman. In the absence of both the Chairman and Vice Chairman, the Secretary may appoint any member to act as Chairman pro tempore. The Board shall meet at such times and places as it or the Secretary may fix and determine, but shall hold at least four regularly scheduled meetings a year. Special meetings may be held at the call of the Chairman or any three members of the Board, or at the call of the Secretary.

(c) The Board shall review general policies and shall advise the Secretary with respect thereto, and perform such other functions as are specified in this title.

(d) The members of the Board shall not, by reason of such membership, be deemed to be employees of the United States, and such members, except those who are regular full-time employees of the Government, shall

receive for their services, as members, the per diem equivalent to the rate for grade GS–18 of the General Schedule under section 5332 of title 5, United States Code, when engaged in the performance of their duties, and each member of the Board shall be allowed travel expenses, including per diem in lieu of subsistence, as authorized by section 5703 of such title for persons in the Government service employed intermittently.

DEFINITIONS

SEC. 1203. (a) When used in this title, unless the context otherwise requires, the term—

(1) "environmental hazard" means any hazardous condition that might give rise to loss under an insurance contract, but which is beyond the control of the property owner;

(2) "essential property insurance" means insurance against direct loss to property as defined and limited in standard fire policies and extended coverage endorsement thereon, as approved by the State insurance authority and the Secretary, and insurance for such types, classes, and locations or property against the perils of vandalism, malicious mischief, burlgary, or theft, as the Secretary by rule shall designate. Such insurance shall not include automobile insurance and shall not include insurance on such types of manufacturing risks as may be excluded by the State insurance authority;

(3) "inspection facility", with respect to any State, means any rating bureau or other person designated by the State insurance authority to perform inspections under fair access to insurance requirements plans under part A;

(4) "insurer" includes any insurance company or group of companies under common ownership which is authorized to engage in the insurance business under the laws of any State;

(5) "pool" means any pool or association of insurance companies in any State which is formed, associated, or otherwise created for the purpose of making property insurance more readily available;

(6) "losses resulting from riots or civil disorders" means losses resulting from riots or civil disorders under policies for standard lines of property insurance for which reinsurance is offered under section 1221, as determined under regulations of the Secretary;

(7) "property owner", with respect to any real, personal, or mixed real and personal property, means any person having an insurable interest in such property;

(8) "person" includes any individual or group of individuals, corporation, partnership, or association, or any other organized group of persons;

(9) "reinsured losses" means losses on reinsurance claims and all direct expenses incurred in connection therewith including, but not limited to, expenses for processing, verifying, and paying such losses;

(10) "standard line of property insurance" includes—

(A) fire and extended coverage;

(B) vandalism and malicious mischief;

(C) other allied lines of fire insurance;

(D) burglary and theft;

(E) those portions of multiple peril policies covering perils similar to those provided for in subparagraphs (A), (B), (C), and (D);

(F) inland marine;
(G) glass;
(H) boiler and machinery;
(I) ocean marine;
(J) aircraft physical damage; and
(K) such other lines generally offered to the public which include protection against damage from riot or civil commotion as the Secretary by regulation may designate;

(11) "State" means the several States, the District of Columbia, the Commonwealth of Puerto Rico, Guam, American Samoa, and the Trust Territory of the Pacific;

(12) "urban area" includes any municipality or other political subdivision of a State, subject to population or other limitations defined in rules and regulations of the Secretary and such additional areas as may be designated by the State insurance authority; and

(13) "year" means a calendar year, fiscal year of a company, or such other period of twelve months as may be designated by the Secretary.

(b) The Secretary is authorized to define, by rules and regulations, any technical or trade term, insofar as such definition is not inconsistent with the provisions of this title.

PART A—STATEWIDE PLANS TO ASSURE FAIR ACCESS TO INSURANCE REQUIREMENTS

FAIR PLANS

SEC. 1211. (a) Each insurer reinsured under this title shall cooperate with the State insurance authority in each State in which it is to acquire such reinsurance in establishing and carrying out statewide plans to assure fair access to insurance requirements (FAIR plans).

(b) Such plans must be approved by the State insurance authority, or be authorized or required by State law, and shall be designed to make essential property insurance more readily available in, but not necessarily limited to, urban areas. Such plans may vary in detail from State to State because of local conditions, but all plans shall contain provision that—

(1) no risk shall be written at surcharged rates or be denied insurance coverage for essential property insurance unless there has first been an inspection of the risk, without cost to the owner, by an inspection facility and a determination by the insurer, based on information in the inspection report and other sources, that the risk does not meet reasonable underwriting standards at the applicable premium rate;

(2) inspections under the plan may be requested by the property owner or his representative, the insurer, or the insurance agent, broker or other producer, and such requests need not be made in writing;

(3) the absence of a building owner or his representative during an inspection shall not preclude a tenant seeking insurance from obtaining an inspection under the plan;

(4) following the inspection, a copy of the inspection report shall be promptly sent by the inspection facility to the insurer or insurers,

or to an all-industry placement facility referred to under section 1212, as may be designated by the person requesting the inspection;

(5) after the inspection report is received by an insurer, it shall promptly determine if the risk meets reasonable underwriting standards at the applicable premium rate, and shall promptly return to the inspection facility the inspection report and provide an action report setting forth—

(A)(i) the amount of coverage it agrees to write; and if the insurer agrees to write the coverage with a surcharge (if such a surcharge is authorized by the State insurance authority), the improvements necessary before it will provide coverage at an unsurcharged premium rate; and

(ii) the amount of coverage it agrees to write if certain improvements specified in the action report are made; or

(B) the specific reasons it declines to write coverage;

(6) if the insurer declines the risk, or agrees to write the coverage sought on condition that the property will be improved, it shall also promptly send a copy of both the inspection and action reports to the property owner and the State insurance authority, and at the time the insurer sends such reports to the property owner, it shall also explain his right, under applicable State laws, to appeal the decision of the insurer to the State insurance authority, setting forth the procedures to be followed for such appeal;

(7) all policies written pursuant to the plan shall be promptly written after inspection or reinspection and shall be separately coded so that appropriate records may be compiled for purposes of performing loss prevention and other studies of the operation of the plan;

(8) the inspection facility shall submit to the State insurance authority and to the Secretary periodic reports setting forth information, by individual insurers, including the number of risks inspected under the plan, the number of risks accepted, the number of risks conditionally accepted and reinspections made, the number of risks declined, and such other information as the State insurance authority may request;

(9) notice will be given to any policyholder a reasonable time prior to the cancellation or nonrenewal of any risk eligible under the plan except in case of nonpayment of premium or evidence of incendiarism), to allow ample time for an application for new coverage to be made and a new policy to be written under the plan, and the insurer shall, in writing, explain to the policyholder the procedures for obtaining an inspection under the plan in the notice of cancellation or nonrenewal; and

(10) a continuing public education program will be undertaken by the participating insurers, agents, and brokers to assure that the plan receives adequate public attention.

ALL-INDUSTRY PLACEMENT FACILITY

SEC. 1212. Any plan under this part shall include an all-industry placement facility doing business with every insurer participating in the plan in the State, and shall provide that this facility shall perform certain functions including, but not limited to, the following:

(1) seeking, upon request by or on behalf of any property owner requesting an inspection under the plan, to distribute the risks

involved equitably among the insurers with which it is doing business; and

(2) seeking to place insurance up to the full insurable value of the risk to be insured with one or more insurers with which it is doing business, except to the extent that deductibles, percentage participation clauses, and other underwriting devices are employed to meet special problems of insurability.

INDUSTRY COOPERATION

SEC. 1213. (a) Every insurer seeking reinsurance under this title shall file a statement with the State insurance authority in each State in which it is participating in a plan under this part, pledging its full participation and cooperation in carrying out the plan, and shall file a copy of such statement with the Secretary.

(b) No insurer acquiring reinsurance under this title shall direct any agent or broker or other producer not to solicit business through such a plan, nor shall any agent, broker, or other producer be penalized by such insurer in any way for submitting applications for insurance to an insurer under the plan.

PLAN EVALUATION

SEC. 1214. (a) In accordance with such rules and regulations as the Secretary may prescribe, each State insurance authority shall—

(1) transmit to the Secretary any proposed or adopted plan, or amendments thereto; and

(2) advise the Secretary, from time to time, concerning the operation of the plan, its effectiveness in providing essential property insurance, and the need to form a pool of insurers or adopt other programs to make essential property insurance more readily available in urban areas of the State.

(b) The Secretary may, after full consultation with the Board, by rules and regulations, modify the plan criteria set forth under this part, if it finds, on the basis of experience, that such action is necessary or desirable to carry out the purposes of this title. The Secretary may also, with respect to any State, waive compliance with one or more of the plan criteria, upon certification by the State insurance authority that compliance is unnecessary or inadvisable under local conditions or State law.

PART B—REINSURANCE COVERAGE

REINSURANCE OF LOSSES FROM RIOTS OR CIVIL DISORDERS

SEC. 1221. (a)(1) The Secretary is authorized to offer to any insurer or pool, subject to the conditions set forth in section 1223, reinsurance against property losses resulting from riots or civil disorders in any one or more States.

(2) Reinsurance shall be offered to any such insurer or pool only on all standard lines of property insurance enumerated under subparagraphs (A) through (E) of section 1203(a)(10) together, and any insurer or pool purchasing such reinsurance shall also be eligible to purchase reinsurance on any one or more standard lines of property insurance enumerated under subparagraphs (F) through (J) of section 1203(a)(10) or which may be designated by regulation pursuant to subparagraph (K) of that section.

(b) Reinsurance coverage under this section may be provided immediately following the enactment of this title to any insurer or pool in any State on a temporary basis, and on such terms and conditions as may be agreed upon, and coverage under such terms and conditions may be bound with respect to any such insurer or pool by means of a written binder which shall remain in force not more than ninety days and shall expire at the earlier of either—

(1) the termination of such ninety-day period, or

(2) the effective date of any governing contract, agreement, treaty, or other arrangement entered into between the insurer or pool and the Secretary under section 1222 for the purpose of providing reinsurance coverage against losses resulting from riots or civil disorders.

(c) No reinsurance shall be offered to any insurer or pool in a State after the expiration of the written binder entered into under subsection (b) unless there is in effect in such State a plan as set forth under part A and the insurer or pool is participating in such plan, and unless, in the case of an insurer in a State where a pool has been established pursuant to State law, the insurer is participating in such a pool.

REINSURANCE AGREEMENTS AND PREMIUMS

SEC. 1222. (a) During the first year following the date of the enactment of this title, the Secretary is authorized to enter into any contract, agreement, treaty, or other arrangement with any insurer or pool for reinsurance coverage, in consideration of payment of such premiums, fees, or other charges by insurers or pools which the Secretary, after full consultation with the Board, deems to be adequate to obtain aggregate reinsurance premiums for deposit in the National Insurance Development Fund established under section 1233 in excess of the estimated amount of insured riot losses during the calendar year 1967, on the assumption that a substantial proportion of the property insurance written will be reinsured under this title, and thereafter the Secretary may increase or decrease such premiums for reinsurance if it is found after full consultation with the Board and the National Association of Insurance Commissioners that such action is necessary or appropriate to carry out the purposes of this title.

(b) Reinsurance offered under this title shall reimburse an insurer or pool for its total proved and approved claims for covered losses resulting from riots or civil disorders during the term of the reinsurance contract, agreement, treaty, or other arrangement, over and above the amount of the insurer's or pool's retention of such losses as provided in such reinsurance contract, agreement, treaty, or other arrangement entered into under this section.

(c) Such contracts, agreements, treaties, or other arrangements may be made without regard to section 3679(a) of the Revised Statutes of the United States (31 U.S.C. 665(a)), and shall include any terms and conditions which the Secretary deems necessary to carry out the purposes of this title. The premium rates, terms, and conditions of such contracts with insurers or pools, throughout the country, in any one year shall be uniform.

(d) Any contract, agreement, treaty, or other arrangement for reinsurance under this section shall be for a term expiring on April 30, 1969, and on April 30 each year thereafter, and shall be entered into within ninety days after the date of the enactment of this title or within ninety days prior

to April 30 each year thereafter, or within ninety days after an insurer is authorized to write insurance eligible for reinsurance in a State which it was not authorized to write in the preceding year.

CONDITIONS OF REINSURANCE

SEC. 1223. (a) Subject to the provisions of subsection (b), reinsurance shall not be offered by the Secretary in a State or be applicable to insurance policies written in that State by an insurer—

(1) after one year following the date of the enactment of this title, or, if the appropriate State legislative body has not met in regular session during that year, by the close of its next regular session, in any State which has not adopted appropriate legislation, retroactive to the date of the enactment of this title, under which the State, its political subdivisions, or a governmental corporation or fund established pursuant to State law, will reimburse the Secretary, in an amount up to 5 per centum of the aggregate property insurance premiums earned in that State during the preceding calendar year on those lines of insurance reinsured by the Secretary in that State during the current year, such that the Secretary may be reimbursed for amounts paid by him in respect to reinsured losses that occurred in that State during a calendar year in excess of (A) reinsurance premiums received in that State during the same calendar year plus (B) the excess of (i) the total premiums received by the Secretary for reinsurance in that State during a preceding period measured from the end of the most recent calendar year with respect to which the Secretary was reimbursed for losses under this title over (ii) any amounts paid by the Secretary for reinsured losses that occurred during this same period;

(2) after thirty days following notification to the insurer that the Secretary finds that there has not been adopted by the State, or the property insurance industry in that State, a suitable program or programs, in addition to plans under part A, to make essential property insurance available without regard to environmental hazards, and that such action is necessary to carry out the purposes of this title; except that this paragraph shall not become effective until two years after the date of the enactment of this title, or at such earlier date as the Secretary, after consultation with the State insurance authority, may determine;

(3) after thirty days following notification to the insurer that the Secretary, or the State insurance authority, finds that such insurer is not fully participating—

(A) in the plan in the State;

(B) where it exists, in a pool; and

(C) where it exists, in any other program found by the Secretary to aid in making essential property insurance more readily available in the State;

(4) following a merger, acquisition, consolidation or reorganization involving one or more insurers having lines of property insurance in the State reinsured under this title and one or more insurers with or without such reinsurance, unless the surviving company—

(A) meets the criteria of eligibility for reinsurance, other than as provided under section 1222 (d); and

(B) within ten days pays any reinsurance premiums due; or

(5) upon receipt of notice from the insurer or pool that it desires to cancel its reinsurance agreement with the Secretary in the State.

(b) Notwithstanding the foregoing provisions of this section, reinsurance may be continued for the term of the policies written prior to the date of termination or nonrenewal of reinsurance under this section, for as long as the insurer pays reinsurance premiums annually in such amounts as are determined under section 1222, based on the annual premiums earned on such reinsured policies, and for the purpose of this subsection, the renewal, extension, modification, or other change in a policy, for which any additional premium is charged, shall be deemed to be a policy written on the date such change was made.

RECOVERY OF PREMIUMS; STATUTE OF LIMITATIONS

SEC. 1224. (a) The Secretary, in a suit brought in the appropriate United States district court, shall be entitled to recover from any insurer the amount of any unpaid premiums lawfully payable by such insurer to the Secretary.

(b) No action or proceeding shall be brought for the recovery of any premium due to the Secretary for reinsurance, or for the recovery of any premium paid to the Secretary in excess of the amount due to him, unless such action or proceeding shall have been brought within five years after the right accrued for which the claim is made, except that, where the insurer has made or filed with the Secretary a false or fraudulent annual statement, or other document with the intent to evade, in whole or in part, the payment of premiums, the claim shall not be deemed to have accrued until its discovery by the Secretary.

PART C—PROVISIONS OF GENERAL APPLICABILITY

CLAIMS AND JUDICIAL REVIEW

SEC. 1231. (a) All reinsurance claims for losses under this title shall be submitted by insurers in accordance with such terms and conditions as may be established by the Secretary.

(b)(1) Upon disallowance of any claim under color of reinsurance made available under this title, or upon refusal of the claimant to accept the amount allowed upon any such claim, the claimant may institute an action against the Secretary on such claim in the United States district court for the district in which a major portion (in terms of value) of the claim arose.

(2) Any such action must be begun within one year after the date upon which the claimant received written notice of disallowance or partial disallowance of the claim, and exclusive jurisdiction is hereby conferred upon United States district courts to hear and determine such actions without regard to the amount in controversy.

FISCAL INTERMEDIARIES AND SERVICING AGENTS

SEC. 1232. (a) In order to provide for maximum efficiency in the administration of the reinsurance program under this title, and in order to facilitate the expeditious payment of any funds under such program, the Secretary may enter into contracts with any insurer, pool, or other person, for the purpose of providing for the performance of any or all of the following functions:

(1) estimating or determining any amounts of payments for reinsurance claims;

(2) receiving and disbursing and accounting for funds in making payments for reinsurance claims;

(3) auditing the records of any insurer, pool, or other person to the extent necessary to assure that proper payments are made;

(4) establishing the basis of liability for reinsurance payments, including the total amount of proved and approved claims which may be payable to any insurer, and the total amount of premiums earned by any insurer in the respective States for reinsured lines of property insurance; and

(5) otherwise assisting in any manner provided in the contract to further the purposes of this title.

(b) (1) Any such contract may require the insurer, pool, or other person, or any of its officers or employees certifying payments or disbursing funds pursuant to the contract, or otherwise participating in carrying out the contract, to give surety bond to the United States in such amounts as the Secretary may deem appropriate.

(2) In the absence of gross negligence or intent to defraud the United States—

(A) no individual designated pursuant to a contract under this section to certify payments shall be liable with respect to any payment certified by him under this section; and

(B) no officer of the United States disbursing funds shall be liable with respect to any otherwise proper payment by him if it was based on a voucher signed by an individual designated pursuant to a contract under this section to certify payments.

NATIONAL INSURANCE DEVELOPMENT FUND

SEC. 1233. (a) To carry out the programs authorized under this title, the Secretary is authorized to establish a National Insurance Development Fund (hereinafter called the "fund") which shall be available, without fiscal year limitations—

(1) to make such payments as may, from time to time, be required under reinsurance contracts under this title;

(2) to pay such administrative expenses as may be necessary or appropriate to carry out the purposes of this title; and

(3) to repay to the Secretary of the Treasury such sums, including interest thereon, as may be borrowed from him for purposes of such programs under section 520(b).

(b) The fund shall be credited with—

(1) reinsurance premiums, fees, and other charges which may be paid or collected in connection with reinsurance provided under part B;

(2) interest which may be earned on investments of the fund;

(3) such amounts as may be advanced to the fund from appropriations in order to maintain the fund in an operative condition adequate to meet its liabilities;

(4) receipts from any other source which may, from time to time, be credited to the fund; and

(5) funds borrowed by the Secretary under section 520(b) and deposited in the fund.

(c) If, after any amounts which may have been advanced to the fund from appropriations have been credited to the appropriation from which advanced (including interest thereon at the rate prescribed under section 520(b)), the Secretary determines that the moneys of the fund are in excess

current needs, he may request the investment of such amounts as he deems advisable by the Secretary of the Treasury in obligations issued or guaranteed by the United States.

RECORDS, ANNUAL STATEMENT, AND AUDITS

SEC. 1234. (a) Any insurer or pool acquiring reinsurance under this title shall furnish the Secretary with such summaries and analyses of information in its records as may be necessary to carry out the purposes of this title, in such form as the Secretary, in cooperation with the State insurance authority, shall, by rules and regulations, prescribe. The Secretary shall make use of State insurance authority examination reports and facilities to the maximum extent feasible.

(b) Any insurer or pool acquiring reinsurance under this title shall file with the Secretary a true and correct copy of any annual statement, or amendment thereof, filed with the State insurance authority of its domiciliary State, at the time it files such statement or amendment with such State insurance authority.

(c) Any insurer or other person executing any contract, agreement, or other appropriate arrangement with the Secretary under section 1222 or section 1232 shall keep reasonable records which fully disclose the total costs of the programs undertaken or the services being rendered, and such other records as will facilitate an effective audit of liability for reinsurance payments by the Secretary.

(d) The Secretary and the Comptroller General of the United States, or any of their duly authorized representatives, shall have access for the purpose of investigation, audit, and examination to any books, documents, papers, and records of any insurer or other person that are pertinent to the costs of any program undertaken for, or services rendered to, the Secretary. Such audits shall be conducted to the maximum extent feasible in cooperation with the State insurance authorities and through the use of their examining facilities.

STUDY OF REINSURANCE AND OTHER PROGRAMS

SEC. 1235. (a) The Secretary is authorized and directed to conduct a study of reinsurance and other means to help assure—

(1) an adequate market for burglary and theft and other property insurance in urban areas; and

(2) adequate availability of surety bonds for construction contractors in urban areas.

(b) The Secretary shall submit the results of this study, together with appropriate recommendations, to the President and Congress no later than one year following the date of the enactment of this title.

OTHER STUDIES

SEC. 1236. (a) The Secretary is authorized to undertake such studies as may be necessary to carry out the purposes of this title including, but not limited to, inquiries concerning—

(1) the operation of plans under part A;

(2) the extent to which essential property insurance is unavailable in urban areas;

(3) the market for private reinsurance; and

(4) loss prevention methods and procedures, insurance marketing methods, and underwriting techniques.

(b) To such extent and under such circumstances as he deems appropriate, the Secretary may conduct any study authorized under this section in cooperation with State insurance authorities and the private insurance industry.

GENERAL POWERS

SEC. 1237. In the performance of, and with respect to, the functions, powers, and duties vested in him by this title, the Secretary shall (in addition to any authority otherwise vested in him) have the functions, powers, and duties (including the authority to issue rules and regulations) set forth in section 402, except subsections (c) (2), (d), and (f), of the Housing Act of 1950.

SERVICES AND FACILITIES OF OTHER AGENCIES—UTILIZATION OF PERSONNEL, SERVICES, FACILITIES, AND INFORMATION

SEC. 1238. The Secretary may, with the consent of the agency concerned, accept and utilize, on a reimbursable basis the officers, employees, services, facilities, and information of any agency of the Federal Government, except that any such agency having custody of any data relating to any of the matters within the jurisdiction of the Secretary shall, to the extent permitted by law, upon request of the Secretary, make such data available to the Secretary.

ADVANCE PAYMENTS

SEC. 1239. Any payments which are made under the authority of this title may be made, after necessary adjustments on account of previously made underpayments or overpayments in advance or by way of reimbursement. Payments may be made in such installments and on such conditions as the Secretary may determine.

TAXATION

SEC. 1240. (a) The National Insurance Development Fund, including its reserves, surplus, and income, shall be exempt from all taxation now or hereafter imposed by the United States, or by any State, or any subdivision thereof, except that any real property acquired by the Secretary as a result of reinsurance shall be subject to taxation by any State or political subdivision thereof, to the same extent, according to its value, as other real property is taxed.

(b) Any measures undertaken by any State to meet or to fund its obligations under section 1223(a)(1) shall not be the subject of any retaliatory or fiscal imposition by any other State.

APPROPRIATIONS

SEC. 1241. There are hereby authorized to be appropriated such sums as may be necessary to carry out this title.

UNITED STATES HOUSING ACT OF 1937

[Public Law 412, 75th Congress; 50 Stat. 888; 42 U.S.C. 1401 et seq.]

AN ACT To provide financial assistance to the States and political subdivisions thereof for the elimination of unsafe and insanitary housing conditions, for the eradication of slums, for the provisions of decent, safe, and sanitary dwellings for familes of low income, and for the reduction of unemployment and the stimulation of business activity, to create a United States Housing Authority, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

DECLARATION OF POLICY

SECTION 1. It is hereby declared to be the policy of the United States to promote the general welfare of the Nation by employing its funds and credit, as provided in this Act, to assist the several States and their political subdivisions to alleviate present and recurring unemployment and to remedy the unsafe and insanitary housing conditions and the acute shortage of decent, safe, and sanitary dwellings for families of low income, in [urban and rural nonfarm] *urban, rural nonfarm, and Indian* areas, that are injurious to the health, safety, and morals of the citizens of the Nation. In the development of low-rent housing it shall be the policy of the United States to make adequate provisions for larger families and for families consisting of elderly persons. It is the policy of the United States to vest in the local public housing agencies the maximum amount of responsibility in the administration of the low-rent-housing program, including responsibility for the establishment of rents and eligibility requirements (subject to the approval of the Authority), with due consideration to accomplishing the objectives of this Act while effecting economies.

DEFINITIONS

SEC. 2. When used in this Act—

(1) The term "low-rent housing" means decent, safe, and sanitary dwellings within the financial reach of families of low income, and developed and administered to promote serviceability, efficiency, economy, and stability, and embraces all necessary appurtenances thereto. The dwellings in low-rent housing shall be available solely for families of low income.

Except as otherwise provided in section 23, income limits for occupancy and rents shall be fixed by the public housing agency and approved by the Authority after taking into consideration (A) the family size, composition, age, physical handicaps, and other factors which might affect the rent-paying ability of the family, and (B) the economic factors which affect the financial stability and solvency of the project.

(2) The term "families of low income" means families (including elderly and displaced families) who are in the lowest income group and who cannot afford to pay enough to cause private enterprise in their locality or metropolitan area to build an adequate supply of decent, safe, and sanitary dwellings for their use. The term "families" includes families consisting of a single person in the case of elderly families and displaced families, and includes the remaining member of a tenant family. The term "elderly families" means families whose heads (or their spouses), or whose sole members, have attained the age at which an individual may elect to receive an old-age benefit under title II of the Social Security Act, or are under a disability as defined in section 223 of that Act, or are handicapped within the meaning of section 202 of the Housing Act of 1959. The term "displaced families" means families displaced by urban renewal or other governmental action, or families whose present or former dwellings are situated in areas determined by the Small Business Administration, subsequent to April 1, 1965, to have been affected by a natural disaster, and which have been extensively damaged or destroyed as the result of such disaster. *The term "large-families" means families which include four or more minors. The term "families of unusually low income" means families with incomes below the income level established by the public housing agency, as approved by the Authority, who could not be housed without the additional subsidy authorized under section 10(a).*

(3) The term "slum" means any area where dwellings predominate which, by reason of dilapidation, overcrowding, faulty arrangement or design, lack of ventilation, light or sanitation facilities, or any combination of these factors, are detrimental to safety, health, or morals.

(4) The term "slum clearance" means the demolition and removal of buildings from any slum area.

(5) The term "development" means any or all undertakings necessary for planning, land acquisition, demolition, construction, or equipment, in connection with a low-rent housing project. The term "development cost" shall comprise the costs incurred by a public housing agency in such undertakings and their necessary financing (including the payment of carrying charges, but not beyond the point of physical completion), and in otherwise carrying out the development of such project. Construction activity in connection with a low-rent housing project may be confined to the reconstruction, remodeling, or repair of existing buildings. In cases where the public housing agency is also the local public agency for the purposes of title I of the Housing Act of 1949, or in cases where the public housing agency and the local public agency for purposes of such title I operate under a combined central adminstrative office staff, an administration building included in a low-rent housing project to provide central administrative office facilities may also include sufficient facilities for the administration of the functions of such local public agency, and in such case, the Authority shall require that an economic rent shall be charged for the facilities in such building which are used for the administration of the functions of such local public agency, and shall be paid from funds derived from sources other than the low-rent housing projects of such public housing agency.

(6) The term "administration" means any or all undertakings necessary for management, operation, maintenance, or financing in connec-

tion with a low-rent housing or slum-clearance project, subsequent to physical completion.

(7) The term "Federal project" means any project owned or administered by the Authority.

(8) The term "acquisition cost" means the amount prudently required to be expended by a public housing agency in acquiring a low-rent housing or slum-clearance project.

(9) The term "non-dwelling facilities" shall include site development, improvements and facilities located outside building walls (including streets, sidewalks, and sanitary, utility, and other facilities).

(10) The term "going Federal rate" means the annual rate of interest (or, if there shall be two or more such rates of interest, the highest thereof) specified in the most recently issued bonds of the Federal Government having a maturity of ten years or more, determined, in the case of loans or annual contributions, respectively, at the date of Presidential approval of the contract pursuant to which such loans or contributions are made: *Provided*, That, with respect to any loans or annual contributions made pursuant to a contract approved by the President after the first annual rate has been specified as provided in this proviso, the term "going Federal rate" means the annual rate of interest which the Secretary of the Treasury shall specify as applicable to the six-month period (beginning with the six-month period ending December 31, 1953) during which the contract is approved by the President, which applicable rate for each six-month period shall be determined by the Secretary of the Treasury by estimating the average yield to maturity, on the basis of daily closing market bid quotations or prices during the month of May or the month of November, as the case may be, next preceding such six-month period, on all outstanding marketable obligations of the United States having a maturity date of fifteen or more years from the first day of such month of May or November, and by adjusting such estimated average annual yield to the nearest one-eighth of one per centum: *And provided further*, That for the purposes of this Act, the going Federal rate shall be deemed to be not less than 2½ per centum.

(11) The term "public housing agency" means any State, county, municipality, or other governmental entity or public body (excluding the Authority), which is authorized to engage in the development or administration of low-rent housing or slum clearance. The Authority shall enter into contracts for financial assistance with a State or State agency where such State or State agency makes application for such assistance for an eligible project which, under the applicable laws of the State, is to be developed and administered by such State or State agency.

(12) The term "State" includes the States of the Union, the District of Columbia, and the Territories, dependencies, and possessions of the United States.

(13) The term "Authority" means the United States Housing Authority created by section 3 of this Act.

(14) The term "initiated" when used in reference to the date on which a project was initiated refers to the date of the first contract for financial assistance in respect to such project entered into by the Authority and the public housing agency.

UNITED STATES HOUSING AUTHORITY

SEC. 3. There is hereby created in the Department of Housing and Urban Development [a body corporate of perpetual duration to be known as] the United States Housing Authority, which shall be an agency and instrumentality of the United States. The functions, powers, and duties of the Authority are vested in and shall be exercised by the Secretary of Housing and Urban Development (hereinafter referred to as the "Secretary"). No officer or employee of the Department of Housing and Urban Development, in the performance of any such functions, powers, or duties, shall participate in any matter affecting his personal interest or the interest of any corporation, partnership, or association in which he is directly or indirectly interested.

* * * * * * *

ANNUAL CONTRIBUTIONS IN ASSISTANCE OF LOW RENTALS

SEC. 10. (a) The Authority may make annual contributions to public housing agencies to assist in achieving and maintaining the low-rent character of their housing projects. The annual contributions for any such project shall be fixed in uniform amounts, and shall be paid in such amounts over a fixed period of years. The Authority shall embody the provisions for such annual contributions in a contract guaranteeing their payment over such fixed period: *Provided,* That the Authority may, in addition to the payments guaranteed under the contract, pay not to exceed $120 per annum per dwelling unit occupied by an elderly family, *or a large family, or a family of unusually low income,* or a displaced family if such family was displaced by an urban renewal or low-rent housing project on or after January 27, 1964, on the last day of the project fiscal year where such amount, in the determination of the Authority, was necessary to enable the public housing agency [to lease the dwelling unit to an elderly or displaced family at a rental it could afford and] to operate the project on a solvent basis[, and, in the case of displaced families, if and to the extent that the average or estimated average rental for units so occupied by such families was less than the rental which the Authority determines, on the basis of the average or estimated average project rentals, would have been established in leasing the units to families which were neither elderly nor similarly displaced]. The Authority shall not make any contract for loans (other than preliminary loans) or for annual contributions or for capital grants pursuant to this Act with respect to any low-rent housing project initiated after March 1, 1949, unless the governing body of the locality involved has entered into an agreement with the public housing agency providing that, subsequent to the initiation of the low-rent housing project and within five years after the completion thereof, there has been or will be elimination, as certified by the local governing body, by demolition, condemnation, effective closing, or compulsory repair or improvement, of unsafe or insanitary dwelling units situated in the locality or metropolitan area substantially equal in number to the number of newly constructed dwelling units provided by such project: *Provided, however,* That where more than one family is living in an unsafe or insanitary dwelling unit the elimination of such unit shall count as the elimination of units equal to the number of families accommodated therein:

Provided further, That such elimination may, in the discretion of the Authority be deferred in any locality or metropolitan area where there is an acute shortage of decent, safe, or sanitary housing available to families of low income: *And provided further*, That this requirement shall not apply in the case of any low-rent housing project located in a rural nonfarm *or Indian* area, or to any low-rent housing project developed on the site of a slum cleared subsequent to the date of enactment of the Housing Act of 1949 and that the dwelling units which had been eliminated by the clearance of the site of such project shall not be counted as elimination for any other low-rent project.

* * * * * * *

(e) The Authority is authorized to enter into contracts for annual contributions aggregating not more than [$366,250,000 per annum, which limit shall be increased by $47,000,000 on the date of the enactment of the Housing and Urban Development Act of 1965, and by further amounts of $47,000,000 on July 1 in each of the years 1966, 1967, and 1968, respectively,] *$554,250,000 per annum, which limit shall be increased by $100,000,000 on the date of enactment of the Housing and Urban Development Act of 1968 and by further amounts of $150,000,000 on July 1 in each of the years 1969 and 1970*, but any such contracts for additional units for any one State shall not, after the date of enactment of the Housing Act of 1961, be entered into for more than 15 per centum of the aggregate amount not already guaranteed under contracts for annual contributions on such date: *Provided*, That subject to any contractual obligation outstanding on the date of the enactment of the Housing and Urban Development Act of 1965, any units not under construction within five years from the date they were reserved to a public housing agency may be reserved, allocated, or placed under contract for annual contributions in any State without limitation as to the aggregate amount of units which may be placed under contract for annual contributions in any one State: *Provided further*, That no such new contract for additional housing units shall be entered into after the date of enactment of the Housing Act of 1961 except with respect to low-rent housing for a locality respecting which the Secretary has made the determination and certification relating to a workable program as prescribed in section 101(c) of the Housing Act of 1949, and the Authority shall enter into only such new contracts for preliminary loans as are consistent with the number of dwelling units for which contracts for annual contributions may be entered into. Without further authorization from Congress, no new contracts for annual contributions beyond those herein authorized shall be entered into by the Authority. The faith of the United States is solemnly pledged to the payment of all annual contributions contracted for pursuant to this section, and there is hereby authorized to be appropriated in each fiscal year, out of any money in the Treasury not otherwise appropriated, the amounts necessary to provide for such payments.

* * * * * * *

SEC. 15. In order to insure that the low-rent character of housing projects will be preserved, and that the other purposes of this Act will be achieved, it is hereby provided that—

(1) When a loan is made pursuant to section 9 for a low-rent housing project the Authority may retain the right, in the event of a

substantial breach of the condition (which shall be embodied in the loan agreement) providing for the maintenance of the low-rent character of the housing project involved or in the event of the acquisition (except pursuant to paragraph (9) of section 15) of such project by a third party in any manner including a bona-fide foreclosure under a mortgage or other lien held by a third party, to increase the interest payable thereafter on the balance of said loan then held by the Authority to a rate not in excess of the going Federal rate (at the time of such breach or acquisition) plus 2 per centum per annum or to declare the unpaid principal on said loan due forthwith.

* * * * * * *

(9) Notwithstanding any other provision of this Act, but subject to the provisions of any contract with the Authority, any public housing agency may permit any member of a tenant family to enter into a contract (either individually or as a member of a group) for the acquisition of a dwelling unit in any project of the public housing agency [which is suitable by reason of its detached or semidetached construction], *if the property to be acquired is sufficiently separable from other property retained by the public housing agency to make it suitable* for sale and for occupancy by such purchaser or a member or members of his family, upon the following terms:

(A) The purchaser shall pay at least (i) a pro rata share cost of any services furnished him by the public agency, including but not limited to, administration, maintenance, repairs, utilities, insurance, provision of reserves, and other expenses, (ii) local taxes on his dwelling unit, and (iii) monthly payments of interest and principal sufficient to amortize a sales price, equal to the greater of the unamortized debt or the appraised value (at the time such purchase contract is entered into) of the dwelling unit, in not more than forty years: *Provided*, That the public housing agency may, under terms and conditions to be prescribed by it, permit a purchaser to apply an amount equal to the net rent paid for his dwelling unit, over a period not exceeding three years prior to the entering into of any such contract, toward the purchase price of such unit;

(B) The interest rate shall be fixed at not less than the average interest cost of loans outstanding on the project, except that in the case of a project on which bonds are not outstanding the interest rate shall be fixed at not less than the going Federal rate applicable to such project;

(C) The principal payments shall be not less than one-half of 1 per centum per annum of the sales price during the first five years after purchase, 1 per centum per annum during the next five years, 1½ per centum per annum during the third five years, and thereafter not less than the principal payments resulting from a level debt service of interest and principal over the balance of the payment period; and

(D) If at any time (i) a purchaser fails to carry out his contract with the public housing agency and if no member of his family who resides in the dwelling assumes such contract, or (ii) the purchaser or a member of his family who assumes the contract does not reside in the dwelling, the public housing agency shall

have an option to acquire his interest under such contract upon payment to him or his estate of an amount equal to his aggregate principal payments plus the value to the public housing agency of any improvements made by him, less an amount equal to 2½ per centum of the sale price.

(10) The Secretary is authorized to enter into contracts to make grants to public housing agencies to assist, where necessary, in financing tenant services for families living in low-rent housing projects. In making such contracts and grants, the Secretary shall give preference to programs providing for the maximum feasible participation of the tenants in the development and operation of such tenant services. For purposes of this paragraph the term "tenant services" includes (without being limited to) the following services and activities for families living in low-rent housing projects: counseling on household management, housekeeping, budgeting money management, child care, and similar matters; advice as to resources for job training and placement, education, welfare, health, and other community services; services which are directly related to meeting tenant needs and providing a wholesome living environment, including intertenant activities; and referral to appropriate agencies when necessary for the provision of such services. There are authorized to be appropriated for the purposes of this paragraph not to exceed $20,000,000 for the fiscal year ending June 30, 1969, and not to exceed $40,000,000 for the fiscal year ending June 30, 1970.

(11) Except in the case of housing predominantly for the elderly, upon enactment of this paragraph, the Secretary shall not approve high-rise elevator projects for families with children unless he makes a determination that there is no practical alternative.

SEC. 16. In order to protect labor standards—

(1) The provisions of the Act of August 30, 1935, entitled "An Act to amend the Act approved March 3, 1931, relating to the rate of wages for laborers and mechanics employed by contractors and subcontractors on public buildings" (49 Stat. 1011), and of the Act of August 24, 1935, entitled "An Act requiring contracts for the construction, alteration, and repair of any public building or public work of the United States to be accompanied by a performance bond protecting the United States and by an additional bond for the protection of persons furnishing material and labor for the construction, alteration, or repair of said public buildings or public work" (U.S.C., 1934 edition, Supp. II, title 40, secs. 270a to 270d, inclusive) shall apply to contracts in connection with the development or administration of Federal projects and the furnishing of materials and labor for such projects: *Provided*, That suits may be brought in the name of the Authority and that the Authority shall itself perform the duties prescribed by section 3(a) of the Act of August 30, 1935, and section 3 of the Act of August 24, 1935.

(2) Any contract for loans, annual contributions, capital grants, sale, or lease pursuant to this Act shall contain a provision requiring that not less than the salaries or wages prevailing in the locality, as determined or adopted (subsequent to a determination under applicable State or local law) by the Authority, shall be paid to all architects, technical engineers, draftsmen, and technicians, employed in the development and to all maintenance laborers and mechanics employed in the administration of the low-rent housing or slum-clearance project

involved; and shall also contain a provision that not less than the wages prevailing in the locality, as predetermined by the Secretary of Labor pursuant to the Davis-Bacon Act (49 Stat. 1011), shall be paid to all laborers and mechanics employed in the development of the project involved (including a project for the use of privately built housing in any case, other than under the authority of section 23 of this Act, where the public housing agency and the builder or sponsor enter into an agreement for such use before construction or rehabilitation is commenced), and that each such laborer or mechanic shall receive compensation at a rate not less than one and one-half times his basic rate of pay for all hours worked in any workweek in excess of eight hours in any workday or forty hours in the workweek, as the case may be; and the Authority shall require certification as to compliance with the provisions of this paragraph prior to making any payment under such contract.

(3) The provisions of sections 1 and 2 of the Act of June 13, 1934 (U.S.C., 1934 edition, title 40, secs. 276b and 276c), shall apply to any low-rent-housing or slum-clearance project financed in whole or in part with funds made available pursuant to this Act.

(4) Repealed.

FINANCIAL PROVISIONS

[SEC. 17. The Authority shall have a capital stock of $1,000,000, which shall be subscribed by the United States and paid by the Secretary of the Treasury out of any available funds. Receipts for such payment shall be issued to the Secretary of the Treasury by the Authority and shall evidence the stock ownership of the United States of America.]

SEC. 17. In the performance of, and with respect to, his functions, powers, and duties under this Act, the Secretary shall have (in addition to any authority otherwise vested in him) the functions, powers, and duties set forth in subsections (a), (b), and (e) of section 402 of the Housing Act of 1950.

SEC. 18. There is hereby authorized to be appropriated, out of any money in the Treasury not otherwise appropriated, the sum of $26,000,000 for the fiscal year ending June 30, 1938, of which $1,000,000 shall be available to pay the subscription to the capital stock of the Authority. Such sum, and all receipts and assets of the Authority, shall be available for the purposes of this Act until expended.

SEC. 19. Any funds available under any Act of Congress for allocation for housing or slum clearance may, in the discretion of the President, be allocated to the Authority for the purposes of this Act.

SEC. 20. The Authority may issue and have outstanding at any one time notes and other obligations for purchase by the Secretary of the Treasury in an amount [not to exceed $1,500,000,000] *which shall not, unless authorized by the President, exceed $1,500,000,000. For the purpose of determining obligations incurred to make loans pursuant to this Act against any limitation otherwise applicable with respect to such loans, the Secretary shall estimate the maximum amount to be loaned at any one time pursuant to loan agreements then outstanding with public housing agencies.* Such notes or other obligations shall be in such forms and denominations, shall have such maturities, and shall be subject to such terms and conditions as may be prescribed by the Authority

with the approval of the Secretary of the Treasury. Such notes or other obligations shall bear interest at a rate determined by the Secretary of the Treasury, taking into consideratiou the current average rate on outstanding marketable obligations of the United States as of the last day of the month preceding the issuance of the notes or other obligations by the Authority. The Secretary of the Treasury is authorized and directed to purchase any notes or other obligations of the Authority issued hereunder and for such purpose is authorized to use as a public debt transaction the proceeds from the sale of any securities issued under the Second Liberty Bond Act, as amended, and the purposes for which securities may be issued under such Act, as amended, are extended to include any purchases of such obligations. The Secretary of the Treasury may at any time sell any of the notes or other obligations acquired by him under this section. All redemptions, purchases, and sales by the Secretary of the Treasury of such notes or other obligations shall be treated as public debt transactions of the United States.

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LOW-RENT HOUSING IN PRIVATE ACCOMMODATIONS

SEC. 23. (a)(1) For the purpose of providing a supplementary form of low-rent housing which will aid in assuring a decent place to live for every citizen and promote efficiency and economy in the program under this Act by taking full advantage of vacancies or potential vacancies in the private housing market, each public housing agency shall, to the maximum extent consistent with the achievement of the objectives of this Act, provide low-rent housing under this Act in the form of low-rent housing in private accommodations in accordance with this section where such housing in private accommodations can be provided at a cost equal to or less than housing in projects assisted under other provisions of this Act.

(2) The provisions of this section shall not apply to any locality unless the governing body of the locality has by resolution approved the application of such provisions to such locality.

(3) As used in this section, the term "low-rent housing in private accommodations" means dwelling units in an existing structure, leased from a private owner, which provide decent, safe, and sanitary dwelling accommodations and related facilities effectively supplementing the accommodations and facilities in low-rent housing assisted under the other provisions of this Act in a manner calculated to meet the total housing needs of the community in which they are located; and the term "owner" means any person or entity having the legal right to lease or sublease property containing one or more dwelling units as described in this section.

(b) Beginning as soon as practicable after the date of the enactment of this section, each public housing agency shall conduct a continuing survey and listing of the available dwelling units within the community or communities under its jurisdiction which provide decent, safe, and sanitary dwelling accommodations and related facilities and are, or may be made, suitable for use as low-rent housing in private accommodations under this section.

(c) Each public housing agency, by notification to the owners of housing listed under subsection (b), or by publication or advertisement, or otherwise, shall from time to time make known to the public in the community or communities under its jurisdiction the anticipated need for dwelling units in such community or communities to be used as low-rent housing in private accommodations under this section, inviting the owners of such dwelling units to make available for purposes of this section one or more of such units ([not exceeding 10 per centum of the units in any single structure except] *not exceeding, in the case of any single structure, the lesser of (i) ten units or 10 per centum of the units in the structure, whichever is greater, or (ii) 50 per centum of the units in the structure, with such lesser number being increased (if it is not a whole number) to the next higher whole number; except* to the extent that the agency, because of the limited number of units in the structure or for any other reason, determines that such limit should not be applied). The public housing agency shall conduct appropriate inspections of the units offered to be made available in any residential structure by the owner thereof in response to such invitation, and if—

(1) it finds that such units are, or may be made, suitable for use as low-rent housing in private accommodations within the meaning of subsection (a)(3), and

(2) the rentals to be charged for such units, as negotiated and agreed to by the agency and the owner of the structure in a manner consistent with subsection (d)(2), are within the financial range of families of low income,

such agency may approve such units for use as low-rent housing in private accommodations in accordance with (and subject to the applicable limitations contained in) this section. Each public housing agency shall maintain and keep current a list of units approved by it under this subsection, including such information with respect to each such unit as it may consider necessary or appropriate.

(d) To the extent of contracts for annual contributions entered into by the Authority with a public housing agency under section 10(e), such agency may enter into contracts with the owners of structures containing dwelling units approved under subsection (c) for the use of such units in accordance with this section (*and no limitation not specifically provided for in this section shall be imposed by regulations of the Authority on the types or categories of structures or dwelling units, qualifying under subsection (a)(3) and approved under subsection (c), which may be so used in any community*). Each such contract with an owner shall provide (with respect to any unit) that—

(1) the selection of tenants for such unit shall be the function of the owner, subject to the provisions of the contract between the Authority and the agency;

(2) the rental and other charges to be received by the owner shall be negotiated and agreed to by the agency and the owner, and the rental and other charges to be paid by the tenant shall be determined in accordance with the standards applicable to units in low-rent housing projects assisted under the other provisions of this Act;

(3) the agency shall have the sole right to give notice to vacate, with the owner having the right to make representations to the agency for termination of a tenancy;

(4) maintenance and replacements (including redecoration) shall be in accordance with the standard practice for the building concerned, as established by the owner and agreed to by the agency; and

(5) the agency and the owner shall carry out such other appropriate terms and conditions as may be mutually agreed to by them.

Each contract between a public housing agency and an owner entered into under this subsection shall be for a term of not less than twelve months nor more than sixty months, and shall be renewable by such agency and owner at the expiration of such term.

(e) The annual contribution under this Act for a project of a public housing agency for low-rent housing in private accommodations under this section in lieu of any other guaranteed contribution authorized by section 10 shall not exceed the amount of the fixed annual contribution which would be established under this Act for a newly constructed project by such public housing agency designed to accommodate the comparable number, sizes, and kinds of families. The period over which payments will be made to a public housing agency for a project of low-rent housing in private accommodations under this section, and the aggregate amount of such payments, under a contract for annual contributions, shall be determined on the basis of the number of units in the community or communities under the jurisdiction of such agency which are in use (or can reasonably be expected to be placed in use) as low-rent housing in private accommodations under this section, taking into account the terms of the leases under which such units are (or will be) so used. In addition, contracts for financial assistance entered into by the Authority with a public housing agency pursuant to this section shall provide for reimbursement of reasonable and necessary expenses incurred by such agency in conducting surveys, listings, and inspections described in subsections (b) and (c).

(f) The provisions of sections 10(h) and 15(7) of this Act, and the workable program requirement in section 10(e) of this Act and section 101(c) of the Housing Act of 1949, shall not apply to (*1*) low-rent housing in private accommodations provided under this section, *or* (*2*) *housing purchased (or in the process of purchase) by the public housing agency for resale to tenants as provided in subsection (g).*

(g) To the extent authorized in contracts entered into by the Authority with a public housing agency, such agency may purchase any structure containing one or more dwelling units leased to provide low-rent housing in private accommodations under this section for the purpose of reselling the structure to the tenant or tenants of the structure or to a group of such tenants occupying units aggregating in value at least 80 per centum of the structure's total value. Any such resale shall be made subject to such terms and conditions (including provision for deferment of the required downpayment and for elimination of or adjustments in the required interest payments during a temporary period) as may be necessary to enable the tenants involved to make the purchase without undue financial hardship.

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TITLE I, HOUSING ACT OF 1949, AS AMENDED

[Public Law 171, 81st Congress; 63 Stat. 413, 414; 42 U.S.C. 1450]

TITLE I—SLUM CLEARANCE AND URBAN RENEWAL

Part A—Urban Renewal Projects, Demolition Programs, and Code Enforcement Programs

URBAN RENEWAL FUND

SEC. 100. The authorizations, funds, and appropriations available pursuant to sections 102 and 103 hereof shall constitute a fund, to be known as the "Urban Renewal Fund", and shall be available for advances, loans, and grants to local public agencies for urban renewal projects in accordance with the provisions of this title, and all contracts, obligations, assets, and liabilities existing under or pursuant to said sections prior to the enactment of the Housing Act of 1954 are hereby transferred to said Fund.

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LOCAL RESPONSIBILITIES

SEC. 101. (a) * * *

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(c) No contract shall be entered into for any loan or capital grant under this title, or for annual contributions or capital grants pursuant to the United States Housing Act of 1937, as amended, for any project or projects not constructed or covered by a contract for annual contributions prior to August 1, 1956, and no mortgage shall be insured, and no commitment to insure a mortgage shall be issued, under section 220 or section 221(d)(3) of the National Housing Act, as amended, unless (1) there is presented to the Secretary by the locality a workable program for community improvement (which shall include an official plan of action, as it exists from time to time, for effectively dealing with the problem of urban slums and blight within the community and for the establishment and preservation of a well-planned community with well-organized residential neighborhoods of decent homes and suitable living environment for adequate family life) for utilizing appropriate private and public resources to eliminate, and prevent the development or spread of, slums and urban blight, to encourage needed urban rehabilitation, to provide for the redevelopment of blighted, deteriorated, or slum areas, or to undertake such of the aforesaid activities or other feasible community activities as may be suitably employed to achieve the objectives of such a program, and (2) on the basis of his review of such program, the Secretary determines that such program meets the requirements of this subsection and certifies that the Federal assistance may be made

available in such community: *Provided*, That this sentence shall not apply to the insurance of, or commitment to insure, a mortgage under (i) section 220 of the National Housing Act, as amended, if the mortgaged property is in an area referred to in clause (A)(i) of paragraph (1) of section 220(d) of the National Housing Act, or (ii) section 221(d)(3) of the National Housing Act if payments with respect to the mortgaged property are made or are to be made under section 101 of the Housing and Urban Development Act of 1965, except that no such mortgage shall be insured, and no commitment to insure such a mortgage shall be issued, with respect to property in any community for which a workable program for community improvement was required and in effect at the time a contract for a loan or capital grant was entered into under this title, or a contract for annual contributions or capital grants was entered into pursuant to the United States Housing Act of 1937, unless there is a workable program for community improvement which meets the requirements of this subsection in effect in such community at the time of such insurance or commitment: *Provided further*, That commencing three years after the date of enactment of the Housing Act of 1964, *or, in the case of an Indian tribe, band, or nation, commencing January 1, 1969* no workable program shall be certified or re-certified unless (A) the locality has had in effect, for at least six months prior to such certification or re-certification, a minimum standards housing code, related but not limited to health, sanitation, and occupancy requirements, which is deemed adequate by the Secretary, and (B) the Secretary is satisfied that the locality is carrying out an effective program of enforcement to achieve compliance with such housing code. Notwithstanding any other provision of law, in the case of a contract with an Indian tribe, band, or nation (or a public housing or other public agency for such tribe, band, or nation established under State or tribal law), the workable program and minimum standards housing code, referred to in the preceding sentence, may be presented to the Secretary by such tribe, band, or nation, and it shall be subject to the requirements of law with respect to such program and code only to the extent that such tribe, band, or nation has the legal jurisdiction and power to carry out such requirements.

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LOANS

SEC. 102. (a) To assist local communities in the elimination of slums and blighted or deteriorated or deteriorating areas, in preventing the spread of slums, blight or deterioration, and in providing maximum opportunity for the redevelopment, rehabilitation, and conservation of such areas by private enterprise, the Secretary may make temporary and definitive loans to local public agencies in accordance with the provisions of this title for the undertaking of urban renewal projects. Such loans (outstanding at any one time) shall be in such amounts not exceeding the estimated expenditures to be made by the local public agency for such purposes, bear interest at such rate (not less than the applicable going Federal rate), be secured in such manner and be repaid within such period (not exceeding, in the case of definitive loans, forty years from the date of the bonds or other obligations evidencing such loans), as may be deemed advisable by the

Secretary. In any case where, in connection with its undertaking and carrying out of an urban renewal project, a local public agency is authorized (under the circumstances in which the temporary loan herein provided is requested) to acquire real property in the urban renewal area, the Secretary, in addition to all other authority under this title and notwithstanding any other provisions of this title, regardless of the stage of development of the urban renewal plan and whether before or after the approval thereof, may make a temporary loan or loans to any such local public agency to finance the acquisition of such real property: *Provided,* That no loan for such purpose shall be made unless (1) the governing body of the locality involved shall have approved by resolution or ordinance the acquisition of real property in the urban renewal area, and (2) either (A) the Secretary shall have determined that such loan is reasonably secured by a first mortgage or other prior lien upon such real property or is otherwise reasonably secured, or (B) the governing body of the locality shall have assumed the responsibility to bear any loss that may arise as the result of such acquisition in the event that the property so acquired is not used for urban renewal purposes because the urban renewal plan for the project is not approved, or is amended to omit any of the acquired property, or is abandoned for any reason: *Provided further,* That the Secretary may, in his discretion and subject to such conditions as he may impose, permit any structure so acquired to be demolished and removed, and may include in any loan authorized by this section the cost of such demolition and removal, together with administrative, relocation, and other related costs and payments, if the approval of the local governing body extends to such demolition and removal: *And provided further,* That the loan contract shall provide that the local public agency shall not dispose of such real property (except in lieu of foreclosure) until the local governing body of the locality involved shall have either approved the urban renewal plan for the project or consented to the disposal of such real property. Notwithstanding any other provision of this title, the Secretary may make a temporary loan, as described in the first two sentences of this subsection, for two or more urban renewal projects being carried out by the same local public agency. The principal amount of any such loan which is outstanding at any one time shall not exceed the estimated expenditures to be made by the local public agency for such projects.

(b) In connection with any project on land which is open or predominantly open, the Secretary may make temporary loans to municipalities or other public bodies for the provision of public buildings or facilities necessary to serve or support the new uses of such land in the project area. Such temporary loans shall be in such amounts not exceeding the expenditures to be made for such purpose, bear interest at such rate (not less than the applicable going Federal rate), be secured in such manner, and be repaid within such period (not exceeding ten years from the date of the obligations evidencing such loans), as may be deemed advisable by the Secretary.

(c) Loans made pursuant to subsection (a) or (b) hereof may be made subject to the condition that, if at any time or times or for any period or periods during the life of the loan contract the local public agency can obtain loan funds from sources other than the Federal

Government [at interest rates lower than provided in the loan contract], it may do so with the consent of the Secretary at such times and for such periods without waiving or surrendering any rights to loan funds under the contract for the remainder of the life of such contract, and in any such case, the Secretary is authorized to consent to a pledge by the local public agency of the loan contract, and any or all of its rights thereunder, as security for the repayment of the principal of and the interest on the loan funds so obtained from other sources: *Provided, That, if at any time during the undertaking of the project, the interest rate on such a loan from a source other than the Federal Government is greater than the rate at which funds could be made available under the Federal loan contract, the Secretary may make a supplemental grant to the local public agency in the amount of the difference between the interest cost from such sources and the interest cost at the contract rate, and no part of the amount of any such grant shall be required to be contributed as a part of the local grant-in-aid.* In connection with any such pledge of a loan contract, including loan payments thereunder, as security for the repayment of obligations of the local public agency held by other than the Federal Government, the Secretary is authorized to agree to pay, through operations of a paying agent or agents, and to pay or cause to be paid when due, from funds obtained pursuant to subsection (e) of this section, to the holders of such obligations (or to their agents or designees) the principal of and the interest on such obligations, subject to such conditions as the Secretary may determine but without regard to any other condition or requirement. Notwithstanding any other provision of law, any contract or other instrument executed by the Secretary which, by its terms, includes an obligation of the Secretary to make payment pursuant to this subsection shall be construed by all officers of the United States separate and apart from the loan contract and shall be incontestable in the hands of a bearer and the full faith and credit of the United States is pledged to the payment of all amounts agreed to be paid by the Secretary pursuant to this subsection.

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CAPITAL GRANTS

SEC. 103. (a)(1) The Secretary may make capital grants to local public agencies in accordance with the provisions of this title for urban renewal projects: *Provided,* That the Secretary shall not make any contract for capital grant with respect to a project which consists of open land, *except that he may contract for such a grant in an amount not to exceed two-thirds of the difference between the proceeds from any land disposed of pursuant to section 107 and the fair value of the land without regard to such section.*

* * * * * * *

(b) The Secretary may, with the approval of the President, contract to make grants under this title aggregating not to exceed [$4,700,000,000, which amount shall be increased by $675,000,000 on the date of the enactment of the Housing and Urban Development Act of 1965, by $725,000,000 on July 1, 1966, and by $750,000,000 on July 1 in each of the years 1967 and 1968] *$7,600,000,000, which amount shall*

be increased by $1,400,000,000 on July 1, 1969. In addition to the authority to make grants provided in the first sentence of this subsection, the Secretary may contract to make grants under this title, on or after July 1, 1967, in an amount not to exceed [$250,000,000] *$600,000,000: Provided,* That the authority to contract to make grants provided by this sentence shall be exercised only with respect to an urban renewal project which is identified and scheduled to be carried out as one of the projects or activities included within an approved comprehensive city demonstration program assisted under the provisions of section 105(c) of the Demonstration Cities and Metropolitan Development Act of 1966. Such grants shall not be used for major long-term capital improvement; shall not exceed two-thirds of the cost, as determined or estimated by the Secretary, of the project for which the grant is made; and shall be subject to such other terms and conditions as he may prescribe. The Secretary is authorized, notwithstanding the provisions of section 3648 of the Revised Statutes, as amended, to make advance or progress payments on account of any grant contracted to be made pursuant to this section. The faith of the United States is solemnly pledged to the payment of all grants contracted for under this title, and there are hereby authorized to be appropriated, out of any money in the Treasury not otherwise appropriated, the amounts necessary to provide for such payments: *Provided,* That any amounts so appropriated shall also be available for repaying to the Secretary of the Treasury, for application to notes of the Secretary, the principal amounts of any funds advanced to local public agencies under this title which the Secretary determines to be uncollectible because of the termination of activities for which such advances were made, together with the interest paid or accrued to the Secretary of the Treasury (as determined by him) attributable to notes given by the Secretary in connection with such advances, but all such repayments shall constitute a charge against the authorization to make contracts for grants contained in this section: *Provided further,* That no such determination of the Secretary shall be construed to prejudice the rights of the United States with respect to any such advance.

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LOCAL DETERMINATIONS

SEC. 105. Contracts for loans or capital grants shall be made only with a duly authorized local public agency and shall require that—

(a) The urban renewal plan for the urban renewal area be approved by the governing body of the locality in which the project is situated, and that such approval include findings by the governing body that (i) the financial aid to be provided in the contract is necessary to enable the project to be undertaken in accordance with the urban renewal plan; (ii) the urban renewal plan will afford maximum opportunity, consistent with the sound needs of the locality as a whole, for the rehabilitation or redevelopment of the urban renewal area by private enterprise; (iii) the urban renewal plan conforms to a general plan for the development of the locality as a whole; and (iv) the urban renewal plan gives due consideration to the provision of adequate park and recreational areas and facilities, as may be desirable for

neighborhood improvement with special consideration for the health, safety, and welfare of children residing in the general vicinity of the site covered by the plan;

* * * * * * *

[(f) The redevelopment of the urban renewal area, unless such redevelopment is for predominantly nonresidential uses, will provide a substantial number of units of standard housing of low and moderate cost and result in marked progress in serving the poor and disadvantaged people living in slum and blighted areas.]

(f) A majority of the housing units provided in each community's total of such approved urban renewal projects as will be redeveloped for predominantly residential uses and which receive Federal recognition after the date of enactment of the Housing and Urban Development Act of 1968 shall be standard housing units for low and moderate income families or individuals: Provided, That the units in each community's total of such approved urban renewal projects which are for low income families or individuals shall constitute at least 20 per centum of the units in such projects.

(g) Consideration has been given to development of a sewer system to serve the urban renewal area which will, to the maximum extent feasible, provide for effective control of storm and sanitary wastes.

GENERAL PROVISIONS

SEC. 106. (a) In the performance of, and with respect to, the functions, powers, and duties vested in him by this title, the Secretary, notwithstanding the provisions of any other law, shall—

(1) prepare annually and submit a budget program as provided for wholly owned Government corporations by the Government Corporation Control Act, as amended;

(2) maintain an integral set of accounts which shall be audited annually by the General Accounting Office in accordance with the principles and procedures applicable to commercial transactions as provided by the Government Corporation Control Act, as amended, and no other audit shall be required: *Provided,* That such financial transactions of the Secretary as the making of advances of funds, loans, or grants and vouchers approved by the Secretary in connection with such financial transactions shall be final and conclusive upon all officers of the Government.

* * * * * * *

(h) Notwithstanding any other provision of this title, no contract shall be entered into for any loan or capital grant under this title with any local public agency unless the local public agency establishes, by evidence satisfactory to the Secretary, that any urban renewal project with respect to which such local public agency has received a loan or capital grant under this title has been, or will be, undertaken and carried out in substantial accordance with the urban renewal plan, and any amendments thereto, approved with respect to such project, and the terms of the contract for loan or capital grant covering such project.

(i) Upon a determination by the Secretary that (1) not more than 5 per centum of the total area of land acquired as part of an urban renewal

project remains to be disposed of, (2) the local public agency does not expect to be able, due to circumstances beyond its control, to dispose of such land in the near future, (3) all other project activities are completed, and (4) the local public agency has agreed to dispose of or retain such land for uses in accordance with the urban renewal plan, the urban renewal project may be deemed completed, and the net project cost may be computed and the capital grant paid.

PROPERTY TO BE USED FOR PUBLIC HOUSING OR HOUSING FOR MODERATE INCOME FAMILIES

SEC. 107. (a) Upon approval of the Secretary and subject to such conditions as he may determine to be in the public interest, any real property held as part of an urban renewal project may be made available to (1) a limited dividend corporation, nonprofit corporation or association, cooperative, or public body or agency, *or other approved purchaser or lessee,* or (2) a purchaser *or lessee* who would be eligible for a mortgage insured under section 221 (d)(3) or (d)(4), *section 221 (h)(1), section 235(j)(1), or section 236* of the National Housing Act, for purchase *or lease* at fair value for use by such purchaser *or lessee* in the provision of new or rehabilitated [rental or cooperative] housing for occupancy by families or individuals of *low or* moderate income.

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DEFINITIONS

SEC. 110. The following terms shall have the meanings, respectively, ascribed to them below, and, unless the context clearly indicates otherwise, shall include the plural as well as the singular number:

(a) "Urban renewal area" means a slum area or a blighted, deteriorated, or deteriorating area in the locality involved which the Secretary approves as appropriate for an urban renewal project.

(b) "Urban renewal plan" means a plan, as it exists from time to time, for an urban renewal project, which plan (1) shall conform to the general plan of the locality as a whole and to the workable program referred to in section 101 hereof and shall be consistent with definite local objectives respecting appropriate land uses, improved traffic, public transportation, public utilities, recreational and community facilities, and other public improvements; and (2) shall be sufficiently complete to indicate, to the extent required by the Secretary for the making of loans and grants under this title such land acquisition, historic and architectural preservation, demolition and removal of structures, redevelopment, improvements, and rehabilitation as may be proposed to be carried out in the urban renewal area, zoning and planning changes, if any, land uses, maximum densities, and building requirements.

(c) "Urban renewal project" or "project" may include undertakings and activities of a local public agency in an urban renewal area for the elimination and for the prevention of the development or spread of slums and blight, and may involve slum clearance and redevelopment in an urban renewal area, or rehabilitation or conservation in an urban

renewal area, or any combination or part thereof, in accordance with such urban renewal plan. Such undertakings and activities may include—

(1) acquisition of (i) a slum area or a deteriorated or deteriorating area, or (ii) land which is predominantly open and which because of oboslete platting, diversity of ownership, deterioration of structures or of site improvements, or otherwise, substantially impairs or arrests the sound growth of the community, or (iii) open land necessary for sound community growth which is to be developed for predominantly residential uses, or (iv) air rights in an area consisting principally of land in highways, railway or subway tracks, bridge or tunnel entrances, or other similar facilities which have a blighting influence on the surrounding area and over which air rights sites are to be developed for the elimination of such blighting influences and for the provision of housing (and related facilities and uses) designed specifically for, and limited to, families and individuals of low or moderate income or, if the area is found by the local public agency to be unsuitable for use for low or moderate income housing, for use for [industrial development] *the development of industrial or educational facilities*: *Provided*, That the requirement in paragraph (a) of this section that the area be a slum area or a blighted, deteriorated or deteriorating area shall not be applicable in the case of projects under clauses (iii) and (iv) hereof: *Provided further*, That the aggregate amount of capital grants for projects under clause (iv) shall not exceed 5 per centum of the aggregate amount of grants authorized by this title to be contracted for after the date of enactment of the Housing Act of 1964;

(2) demolition and removal of buildings and improvements;

(3) installation, construction, or reconstruction of streets, utilities, parks, playgrounds, and other improvements necessary for carrying out in the urban renewal area the urban renewal objectives of this title in accordance with the urban renewal plan;

(4) disposition of any property acquired in the urban renewal area (including sale, leasing or retention by the local public agency itself) at its fair value for uses in accordance with the urban renewal plan or as provided in section 107;

(5) carrying out plans for programs of code enforcement or voluntary repair and rehabilitation of buildings or other improvements in accordance with the urban renewal plan.

(6) acquisition of any other real property in the urban renewal area where necessary to eliminate unhealthful, insanitary or unsafe conditions, lessen density, eliminate obsolete or other uses detrimental to the public welfare, or otherwise to remove or prevent the spread of blight or deterioration, to promote historic and architectural preservation, or to provide land for needed public facilities;

(7) construction of foundations and platforms necessary for the provision on air rights sites of housings (and related facilities and uses) designed specifically for, and limited to, families and individuals of low or moderate income, or construction of foundations and platforms necessary for the provision of air rights sites for

[industrial development] *the development of industrial or educational facilities*;

(8) acquisition and repair or rehabilitation for [guidance purposes, and] resale by the local public agency, of structures which are located in the urban renewal area, and which, under the urban renewal plan, are to be repaired or rehabilitated for dwelling use or related facilities [: *Provided*, That the local public agency shall not acquire for such purposes, in any urban renewal area, structures which contain or will contain more than (A) one hundred dwelling units, or (B) 5 per centum of the total number of dwelling units in such area which, under the urban renewal plan, are to be repaired or rehabilitated, whichever is the lesser];

(9) relocation within or outside the project area of structures which will be restored and maintained for architectural or historic purposes; and

(10) restoration of acquired properties of historic or architectural value.

Notwithstanding any other provision of this title, (A) no contract shall be entered into for any loan or capital grant under this title for any project which provides for demolition and removal of buildings and improvements unless the Secretary determines that the objectives of the urban renewal plan could not be achieved through rehabilitation of the project area, and (B) not less than (10) per centum of the aggregate amount of (i) grants authorized to be contracted for under this title by the Housing and Urban Development Act of 1965 and subsequent Acts, and (ii) loans authorized to be made under section 312 of the Housing Act of 1964, shall be available for projects assisted with such grants or loans which involve primarily code enforcement and rehabilitation.

For the purposes of this title, the term "project" shall not include (except as provided in paragraphs (7), (8), [and] (9) *and (10)* above) the construction or improvement of any building, and the term "redevelopment" and derivatives thereof shall mean development as well as redevelopment. For any of the purposes of section 109 hereof, the term "project" shall not include any donations or provisions made as local grants-in-aid and eligible as such pursuant to clauses (2) and (3) of section 110(d) hereof.

Financial assistance shall not be extended under this title with respect to any urban renewal area which is not predominantly residential in character and which, under the urban renewal plan therefor, is not to be redeveloped for predominantly residential uses: *Provided*, That, if the governing body of the local public agency determines that the redevelopment of such an area for predominantly nonresidential uses is necessary for the proper development of the community, the Secretary may extend financial assistance under this title for such a project: *Provided further*, That the aggregate amount of capital grants contracted to be made pursuant to this title with respect to such projects after the date of the enactment of the Housing Act of 1959 shall not exceed 30 per centum of the aggregate amount of grants authorized by this title to be contracted for after such date: *And provided further*, That the aggregate amount of capital grants made avail-

able under this title with respect to such projects after the date of the enactment of the Housing and Urban Development Act of 1965 may be in an amount not to exceed (in addition to amounts previously available for such projects) 35 per centum of the amount of additional capital grants authorized under this title by such Act.

In addition to all other powers hereunder vested, where land within the purview of clause (1)(ii) or (1)(iii) of the first paragraph of this subsection (whether it be predominantly residential or nonresidential in character) is to be redeveloped for predominantly nonresidential uses, loans and advances under this title may be extended therefor if the governing body of the local public agency determines that such redevelopment for predominantly nonresidential uses is necessary and appropriate to facilitate the proper growth and development of the community in accordance with sound planning standards and local community objectives and to afford maximum opportunity for the redevelopment of the project area by private enterprise: *Provided*, That loans and outstanding advances to any local public agency pursuant to the authorization of this sentence shall not exceed 2½ per centum of the estimated gross project costs of the projects undertaken under other contracts with such local public agency pursuant to this title.

(d) "Local grants-in-aid" shall mean assistance by a State, municipality, or other public body, or (in the case of cash grants or donations of land or other real property) and other entity, in connection with any project on which a contract for capital grant has been made under this title, in the form of (1) cash grants to defray expenditures within the purview of section 110(e)(1) hereof; (2) donations, at cash value, of land or other real property (exclusive of land in streets, alleys, and other public rights-of-way which may be vacated in connection with the project, or of air rights over streets, alleys, and other public rights-of-way) in the urban renewal area, and demolition, removal, or other work or improvements in the urban renewal area, at the cost thereof, of the types described in clauses (2), (3), (7), (9), and (10) of the second sentence of section 110(c); and (3) the provision, at their cost, of public buildings or other public facilities (other than publicly owned housing and revenue producing public utilities the capital cost of which is wholly financed with local bonds or obligations payable solely out of revenues derived from service charges) which are necessary for carrying out in the area the urban renewal objectives of this title in accordance with the urban renewal plan: *Provided*, That in any case where, in the determination of the Secretary, any park, playground, public building, or other public facility is of direct benefit both to the urban renewal area and to other areas, and the approximate degree of the benefit to such other areas is estimated by the Secretary at 20 per centum or more of the total benefits, the Secretary shall provide that, for the purpose of computing the amount of the local grants-in-aid for the project there shall be included only such portion of the cost of such facility as the Secretary estimates to be proportionate to the approximate degree of the benefit of such facility to the urban renewal area: *Provided further*, That any publicly owned facility, the construction of which was begun not earlier than three years prior to the date of enactment of the Demonstration Cities and Metropolitan Development Act of 1966,

shall be deemed to benefit an urban renewal project or projects to the extent of 25 per centum of the total benefits of such facility, or $3,500,000, whichever is less, if such facility (A)(i) is used, or is to be used, by the public predominantly for cultural, exhibition, or civic purposes, or is a city hall or a public safety building, or (ii) is a facility, constructed or rehabilitated by a public university, which is or will be devoted to the treatment of physical or mental disabilities and illness or to medical research; (B) is located within, adjacent to, or in the immediate vicinity of such urban renewal project or projects; (C) is found to contribute materially to the objectives of the urban renewal plan or plans for such project or projects; and (D) is not otherwise eligible as a local grant-in-aid: *And provided further,* That for the purpose of computing the amount of local grants-in-aid under this section 110(d) with respect to any project covered by a Federal-aid contract under this title, the estimated cost (as determined by the Secretary) of parks, playgrounds, public buildings, or other public facilities may be deemed to be the actual cost thereof if (i) the construction or provision thereof is not completed at the time of final disposition of land in the project to be acquired and disposed of under the urban renewal plan, and (ii) the Secretary has received assurance satisfactory to him that such park, playground, public building, or other public facility will be constructed or completed when needed and within a time prescribed by him: *And provided further,* That in any case where a public facility furnished as a local grant-in-aid is financed in whole or in part by special assessments against real property in the project area acquired by the local public agency as part of the project, an amount equal to the total special assessments against such real property (or, in the case of a computation pursuant to the proviso immediately preceding, the estimated amount of such total special assessments) shall be deducted from the cost of such facility for the purpose of computing the amount of the local grants-in-aid for the project. With respect to any demolition or removal work, improvement or facility for which a State, municipality, or other public body has received or has contracted to receive any grant or subsidy from the United States, or any agency or instrumentality thereof, the portion of the cost thereof defrayed or estimated by the Secretary to be defrayed with such subsidy or grant shall not be eligible for inclusion as a local grant-in-aid.

Notwithstanding any other provision of this subsection, no donation or provision of a public improvement or public facility of a type falling within the purview of this subsection shall be deemed to be ineligible as a local grant-in-aid for any project solely on the basis that the construction of such improvement or facility was commenced without notification to the Secretary or prior to Federal recognition of such project, if such construction was commenced not more than three years prior to the authorization by the Secretary of a contract for loan or capital grant for the project.

Where a project in any municipality includes an area affected by an underground mine fire or by a coal mine subsidence and where it is necessary in such project to remove any underlying coal deposits in order to stabilize the soil or to control the underground mine fire, then any royalties received by the project from the removal and sale of such coal deposits shall be credited to the project as a local grant-in-aid made by such municipality.

(e) "Gross project cost" shall comprise (1) the amount of the expenditures by the local public agency with respect to any and all undertakings necessary to carry out the project (including the payment of carrying charges, but not beyond the point where the project is completed), and (2) the amount of such local grants-in-aid as are furnished in forms other than cash. There may be included as part of the gross project cost, under any contract for loan or grant heretofore or hereafter executed under this title, with respect to moneys of the local public agency which are actually expended and outstanding for undertakings (other than in the form of local grants-in-aid) necessary to carry out the project, in the absence of carrying charges on such moneys, an amount in lieu of carrying charges which might otherwise have been payable thereon for the period such moneys are expended and outstanding but not beyond the point where the project is completed, computed for each six-month period or portion thereof, at an interest rate to be determined by the Secretary after taking into consideration for each preceding six-month period the average interest rate borne by any obligations of local public agencies for short-term funds obtained from sources other than the Federal Government in the manner provided in section 102(c): *Provided*, That such amount may be computed on the net total of all such moneys of the local public agency remaining expended and outstanding, less other moneys received from the project undertaken in excess of project expenditures, in all projects of the local public agency under this title and allocated, as the Secretary may determine, to each of such projects. With respect to a project for which a contract for capital grant has been executed on a three-fourths basis pursuant to section 103(a)(2)(C), gross project cost shall include, in lieu of the amount specified in clause (1) above, the amount of the expenditures by the local public agency with respect to the following undertakings and activities necessary to carry out such project:

(i) acquisition of land (but only to the extent of the consideration paid to the owner and not title, appraisal, negotiating, legal, or any other expenditures of the local public agency incidental to acquiring land), disposition of land, staff services in connection with programs of code enforcement and voluntary rehabilitation and repair (including community organization), demolition and removal of buildings and improvements, and site preparation and improvements, all as provided in paragraphs (1), (2), (3), (4), (5), (6), (7), (8), [and (9)] (*9*), *and* (*10*) of subsection (c); and

(ii) the payment of carrying charges related to the undertakings in clause (i) (including amounts in lieu of carrying charges as determined above), exclusive of taxes and payments in lieu of taxes, but not beyond the point where such project is completed;

but not the cost of any other undertakings, and activities (including, but without being limited to, the cost of surveys and plans, legal services of any kind, and all administrative and overhead expenses of the local public agency) with respect to such project. Where real property in the project area is acquired and is owned as part of the project by the local public agency and such property is not subject to ad valorem taxes by reason of its ownership by the local public agency and payments in lieu of taxes are not made on account of such prop-

erty, there may (with respect to any project for which a contract of Federal assistance under this title is in force or is hereafter executed, other than a project on which a contract for capital grant is made on a three-fourths basis pursuant to section 103(a)(2)(C)) be included, at the discretion of the Secretary, in gross project cost an amount equal to the ad valorem taxes which would have been levied upon such property if it had been subject to ad valorem taxes, but in all cases prorated for the period during which such property is owned by the local public agency as part of the project, and such amount shall also be considered a cash local grant-in-aid within the purview of section 110(d) hereof. Such amount, and the amount of taxes or payments in lieu of taxes included in gross project cost, shall be subject to the approval of the Secretary and such rules, regulations, limitations, and conditions as he may prescribe.

Where a project includes the acquisition of property which has been damaged because of the collapse or subsidence of underlying coal mines, or underground mine fires, and the property is to be acquired from an individual, family, business concern, or nonprofit organization which was the owner of such property at the time the damage first occurred, the amount otherwise allowable as the acquisition price of such property may be increased by an amount equal to so much of any diminution in the value of such property as is determined to be reasonably attributable to such damage and to represent an otherwise uncompensated and (but for such acquisition) uncompensable loss actually sustained by such owner.

(f) "Net project cost" shall mean the difference between the gross project cost and the aggregate of (1) the total sales prices of all land or other property sold, and (2) the total capital values (i) imputed, on a basis approved by the Secretary, to all land or other property leased, and (ii) used as a basis for determining the amounts to be transferred to the project from other funds of the local public agency to compensate for any land or other property retained by it for use in accordance with the urban renewal plan *or for subsequent disposition or retention as provided under section 106(i).*

(g) "Going Federal rate" means (with respect to any contract for a loan or advance entered into after the first annual rate has been specified as provided in this sentence) the annual rate of interest which the Secretary of the Treasury shall specify as applicable to the six-month period (beginning with the six-month period ending December 31, 1953) during which the contract for loan or advance under this title is authorized by the Secretary, which applicable rate for each six-month period shall be determined by the Secretary of the Treasury by estimating the average yield to maturity, on the basis of daily closing market bid quotations or prices during the month of May or the month of November, as the case may be, next preceding such six-month period, on all outstanding marketable obligations of the United States having a maturity date of fifteen or more years from the first day of such month of May or November, and by adjusting such estimated average annual yield to the nearest one-eighth of 1 per centum. Any contract for a loan or advance, authorized by the Secretary after the date of enactment of the Housing Act of 1964, shall provide for a single interest rate which shall be applicable also to future amendments of the contract which pro-

vide additional funds thereunder, and shall further provide for a periodic revision of the interest rate on the balance outstanding or to be outstanding on such loan or advance based on the going Federal rate on the date of such revision: *Provided*, That any contract for a loan or advance authorized prior to the date of enactment of the Housing Act of 1964 shall be amended (with the first amendment to such contract authorized after the date of enactment of such Act) to provide for such a single interest rate (based on the going Federal rate at the time such amendment is authorized) and for periodic revision thereof.

(h) "Local public agency" means any State, county, municipality, or other governmental entity or public body, or two or more such entities or bodies, authorized to undertake the project for which assistance is sought. "State" includes the several States, the District of Columbia, the Commonwealth of Puerto Rico, and the Territories and possessions of the United States.

(i) "Land" means any real property, including improved or unimproved land, structures, improvements, easements, incorporeal hereditaments, estates, and other rights in land, legal or equitable.

(j) "Secretary" means the Secretary of Housing and Urban Development.

(k) "Federal recognition" means execution of any contract for financial assistance under this title or concurrence by the Secretary in the commencement, without such assistance, of surveys and plans.

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REHABILITATION GRANTS

SEC. 115. (a) (*1*) Notwithstanding any other provision of this title, the Secretary may authorize a local public agency to make grants (and the urban renewal project may include the making of such grants) as prescribed in this section. Any such grant may be made only to an individual or family, as described in subsection [(b)] (*c*), who owns and occupies [a structure] *real property* in an urban renewal area, and only for the purpose of covering the cost of repairs and improvements necessary to make such [structure] *real property* conform to public standards for decent, safe, and sanitary housing as required by applicable codes or other requirements of the urban renewal plan for the area. Any contract for financial assistance under this title shall provide that the capital grant otherwise payable for the project shall be increased by an amount equal to the total amount of the grants under this section and that no part of the total amount of such grants shall be required to be contributed as part of the local grant-in-aid.

(2) In addition to the authority conferred by paragraph (1), and notwithstanding any other provision of this title, the Secretary is authorized, through the utilization of local public agencies where feasible, to make grants (payable from any grant funds provided under section 103(b)) to an individual or family, as described in subsection (c), to cover the cost of repairs and improvements necessary to make real property owned and occupied by such individual or family conform to public standards for decent, safe, and sanitary housing as required by applicable codes. No grants shall be made under this paragraph in the case of any

property unless such property is in an area within a locality (other than an urban renewal area or an area in which a program of concentrated code enforcement is being carried out pursuant to section 117) which the governing body of the locality has determined, and so certifies to the Secretary, contains a substantial number of structures in need of rehabilitation.

(b) The Secretary is authorized to make grants (payable from any grant funds provided under section 103(b)), through the utilization of local public and private agencies where feasible, to an individual or family, as described in subsection (c), who owns and occupies real property which has been determined to be uninsurable because of physical hazards after an inspection pursuant to a statewide property insurance plan approved by the Secretary under title XII of the National Housing Act. Such grants may only be made to rehabilitate such property to the extent which the Secretary determines to be necessary to make it meet reasonable underwriting standards imposed by such plan and only where the property is located in an area which the Secretary determines (1) is sufficiently stable and contains sufficient public facilities and amenities to support long-term values, or (2) is one in which public or private actions are being carried out, or are proposed to be carried out, of such scope and quality as to give reasonable promise that a stable environment will be created.

[(b)] *(c)* A grant authorized by this section may be made to an individual or family whose income does not exceed $3,000 a year, and such grant may be in the amount which does not exceed the lesser of (1) the actual (and approved) cost of the repairs and improvements involved, or (2) [$1,500] *$3,000*. In case the income of the individual or family exceeds $3,000 a year, a grant may be made under this section, subject to the limitations specified in clauses (1) and (2) of the preceding sentence, but only in an amount not to exceed that portion of the cost of the repairs and improvements which cannot be paid for with any available loan that can be amortized as part of such individual's or family's monthly housing expense without requiring such monthly housing expense to exceed 25 per centum of such individual's or family's monthly income.

DEMOLITION

SEC. 116. (a) Notwithstanding any other provision of this title, the Secretary is authorized to enter into contracts to make, and to make, grants as provided in this section (payable from any grant funds provided under section 103(b)) to cities, other municipalities, and counties to assist in financing the cost of demolishing structures which under State or local law have been determined to be structurally unsound, *a harborage or potential harborage of rats*, or unfit for human habitation, and which such city, municipality, or county has authority to demolish. The amount of any grant under this section shall not exceed two-thirds of the cost of the demolition of such structures.

(b) No grants shall be made under this section unless the structures to be demolished are located in an urban renewal area, or, in the case of structures outside an urban renewal area, (1) the locality involved has an approved workable program for community improvement in accordance with the requirements of section 101(c), as determined by the Secretary, (2) the demolition to be assisted will be on a planned

neighborhood basis and will further the over-all renewal objectives of such locality, *or will be consistent with a systematic rodent control program being undertaken in the neighborhood,* (3) there is in such locality a program of enforcement of existing local housing and related codes, (4) the structures to be demolished constitute a public nuisance and a serious hazard to the public health or welfare, and (5) the governing body of such locality has determined that other available legal procedures have been exhausted to secure remedial action by the owner of the structures involved and that demolition by governmental action is required.

CODE ENFORCEMENT

SEC. 117. Notwithstanding any other provision of this title, the Secretary is authorized to enter into contracts to make, and to make, grants as provided in this section (payable from any grant funds provided under section 103(b)) to cities, other municipalities, and counties for the purpose of assisting such localities in carrying out programs of concentrated code enforcement in deteriorated or deteriorating areas in which such enforcement, together with those public improvements to be provided by the locality, may be expected to arrest the decline of the area. Such grants shall not exceed two-thirds (or three-fourths in the case of any city, other municipality, or county having a population of 50,000 or less according to the most recent decennial census) of the cost of planning and carrying out such programs which may include the provision and repair of necessary streets, curbs, sidewalks, street lighting, tree planting, and similar improvements within such areas. The Secretary shall not make any grant under this section unless he has obtained adequate assurances (1) that the locality will maintain during the period of the contract, in addition to its expenditures for planning and carrying out any program assisted under this section, a level of expenditures for code enforcement activities at not less than its normal expenditures for such activities prior to the execution of such contract, and (2) that the locality has a satisfactory program for the provision of all necessary public improvements for such areas. The provisions of sections 101(c), 106, 114, and 115 shall be applicable to activities and undertakings assisted under this section to the same extent as if such activities and undertakings were being carried out in an urban renewal area as part of an urban renewal project.

INTERIM ASSISTANCE FOR BLIGHTED AREAS

SEC. 118. Notwithstanding any other provision of this title, the Secretary is authorized to enter into contracts (in an aggregate amount not to exceed $40,000,000 in any fiscal year) to make, and to make, grants as provided in this section (payable from any grant funds provided under section 103(b)) to cities, other municipalities, and counties for the purpose of assisting such localities in carrying out programs to alleviate harmful conditions in slum and blighted areas which are planned for substantial clearance, rehabilitation, or federally assisted code enforcement in the near future but in which some immediate public action is needed until clearance, rehabilitation, or code enforcement activities can be undertaken. Such grants shall not exceed two-thirds (or three-fourths in the

case of any city, other municipality, or county having a population of fifty thousand or less according to the most recent decennial census) of the cost of planning and carrying out programs which may include (1) the repair of streets, sidewalks, parks, playgrounds, publicly owned utilities, and public buildings to meet needs consistent with the short-term continued use of the area prior to the undertaking of the contemplated clearance or upgrading activities, (2) the improvement of private properties to the extent needed to eliminate the most immediate dangers to public health and safety, (3) the demolition of structures determined to be structurally unsound or unfit for human habitation and which constitute a public nuisance and serious hazard to the public health and safety, (4) the establishment of temporary public playgrounds on vacant land within the area, and (5) the improvement of garbage and trash collection, street cleaning, and similar activities. The Secretary shall encourage, wherever feasible, the employment of otherwise unemployed or underemployed residents of the area in carrying out the activities and undertakings assisted under this section. The provisions of sections 101(c), 106, and 114 shall be applicable to activities and undertakings assisted under this section to the same extent as if such activities and undertakings were being carried out in an urban renewal area as part of an urban renewal project.

Part B—Neighborhood Development Programs

PURPOSE AND AUTHORITY

Sec. 131. (a) To facilitate more rapid renewal and development of urban areas on an effective scale, and to encourage more efficient and flexible utilization of public and private development opportunities by local communities in such areas, the Secretary is authorized to make financial assistance available under this title to local public agencies for undertakings and activities which are carried out under a neighborhood development program approved by him pursuant to this part.

(b) A neighborhood development program shall consist of urban renewal project undertakings and activities in one or more urban renewal areas which are planned and carried out on the basis of annual increments in accordance with the provisions of this title for planning and carrying out urban renewal projects, except as modified by the provisions of this part.

(c) No application for financial assistance in planning and carrying out a neighborhood development program shall be approved by the Secretary unless—

(1) the governing body of the locality has, by resolution or ordinance approved the proposed program and the annual increment covered by the application and authorizing the filing of the application for financial assistance; and

(2) the Secretary has concluded that there is the necessary capacity to carry out the undertakings and activities included under the program.

FINANCIAL PROVISIONS

Sec. 132. (a) Upon the approval of a neighborhood development program by the Secretary, the cost of any undertatings and activities authorized as part of the program shall be financed in accordance with the loan, capital grant, and project cost provisions of part A, except that—

(1) net project cost may be calculated on the basis of costs incurred and proceeds derived for the account of the program during a specified twelve-month period, and may be recalculated for succeeding periods of twelve months to reflect additional costs and additional proceeds since the date of the last computation or recomputation; and

(2) if property has been acquired but not disposed of prior to the computation or recomputation of net project cost, temporary loans made or secured under this title to finance undertakings or activities included in the program may remain outstanding until the property has been disposed of and the proceeds thereof, together with additional funds becoming available to the program, are sufficient to permit repayment of the loans.

(b) In the event that gross project cost as computed for a specified twelve-month period is exceeded, with respect to that period, by the sum of (1) the sales price of land or other property sold, and (2) the imputed capital value of land or other property leased or retained by the local public agency in accordance with the provisions of the urban renewal plan, the local public agency shall pay to the Secretary two-thirds of the excess (or three-fourths in the case of a program on a three-fourths grant basis), which amount shall be available to the Secretary for grant payments under section 103.

LOCAL GRANTS-IN-AID

SEC. 133. (a) For the purpose of determining the eligibility of local grants-in-aid in connection with undertakings and activities carried out under a neighborhood development program, the three-year period referred to in the second paragraph of section 110 (d) shall be deemed to be a period of three years prior to the authorization by the Secretary of the first contract for financial assistance under the program which includes the urban renewal area which is benefited by the public improvement or facility for which credit is claimed; and the seven-year period referred to in clause (1) of section 112(b) shall be deemed to be a period of seven years prior to the date of authorization by the Secretary of the first contract for financial assistance under the program which includes the urban renewal area which is benefited by the expenditures for which credit is claimed.

(b) No portion of the cost of a public improvement or public facility (to the extent otherwise eligible) may be included as a local grant-in-aid in computing the gross project cost of an approved program for any twelve-month period—

(1) prior to commencement of construction of the improvement or facility, or

(2) in excess of the amount actually expended or obligated by contract.

(c) The provisions of section 104 with respect to the pooling of local grants-in-aid among the various projects undertaken by a local public agency shall not be applicable with respect to any excess local grants-in-aid resulting from the urban renewal projects contained in a neighborhood development program.

GENERAL PROVISIONS

SEC. 134. (a) For purposes of this part—

(1) the workable program requirement in section 101(c) shall apply to the authorization, rather than the execution, of any contract for loans or capital grants;

(2) capital grants on a three-fourths basis may only be made under section 103(a)(2)(B);

(3) the relocation requirements specified in section 105(c) shall apply to each annual increment of an approved program;

(4) section 106(g) (relating to transient housing) shall apply to activities undertaken under approved programs, except that the determination as to need for transient housing shall be made with respect to any sale or lease of land for construction of such housing prior to such sale or lease; and

(5) the requirement concerning demolition and removal of buildings and improvements stated in clause (A) of the sentence following paragraph (10) of section 110(c) shall apply to each annual increment of an approved program.

(b) The approval by the Secretary of financial assistance for one or more annual increments of a neighborhood development program shall not be considered as obligating him to provide financial assistance for any subsequent annual increments.

(c) The urban renewal plan referred to in section 110(b) may cover one or more of the urban renewal areas covered by a neighborhood development program and such plan may be modified from time to time to cover additional urban renewal areas added to the program. The Secretary may establish such requirements as he deems appropriate prescribing the scope and content of such plan, taking into consideration, among other matters, the degree of detail needed in the plan to properly and expeditiously carry out the activities and undertakings proposed in any annual increment of a neighborhood development program.

* * * * * * *

TITLE V—FARM HOUSING

SEC. 501. (a) The Secretary of Agriculture (hereinafter referred to as the "Secretary") is authorized, subject to the terms and conditions of this title, to extend financial assistance, through the Farmers Home Administration, (1) to owners of farms in the United States and in Puerto Rico and the Virgin Islands, to enable them to construct, improve, alter, repair, or replace dwellings and other farm buildings on their farms, and to purchase buildings and land constituting a minimum adequate site, in order to provide them, their tenants, lessees, sharecroppers, and laborers with decent, safe, and sanitary living conditions and adequate farm buildings as specified in this title, and (2) to owners of other real estate in rural areas for the construction, improvement, alteration, or repair of dwellings, related facilities, and farm buildings and to rural residents for such purposes and for the purchase of buildings and the purchase of land constituting a minimum adequate site, in order to enable them to provide dwelling and related facilities for their own use and buildings adequate for their farming operations, and (3) to elderly persons who are or will be the owners of land in rural areas for the construction, improvement, alteration, or repair of dwellings and related facilities, the purchase of dwellings and related facilities and the purchase of land constituting a minimum adequate site, in order to provide them with adequate dwellings and related facilities for their own use, and (4) to an owner described in clause (1), (2), or (3) for refinancing indebtedness which—

(A) was incurred for an eligible purpose described in such clause,

(B) if not refinanced, is likely to result at an early date in loss of the applicant's necessary dwelling or essential farm service buildings,

(C) is not held or insured by the United States or any agency thereof, and

(D) was incurred prior to the enactment of this clause.

(b)(1) For the purpose of this title, the term "farm" shall mean a parcel or parcels of land operated as a single unit which is used for the production of one or more agricultural commodities and which customarily produces or is capable of producing such commodities for sale and for home use of a gross annual value of not less than the equivalent of a gross annual value of $400 in 1944, as determined by the Secretary. The Secretary shall promptly determine whether any parcel or parcels of land constitute a farm for the purposes of this title whenever requested to do so by any interested Federal, State, or local public agency, and his determination shall be conclusive.

(2) For the purposes of this title, the terms "owner", "farm", and "mortgage" shall be deemed to include, respectively, the lessee of, the land included in, and other security interest in, any leasehold interest which the Secretary determines has an unexpired term (A) in the case of a loan, for a period sufficiently beyond the repayment period of the loan to provide adequate security and a reasonable probability of accomplishing the objectives for which the loan is made, and (B) in the case of a grant for a period sufficient to accomplish the objectives for which the grant is made.

(3) For the purposes of this title, the term "elderly persons" means persons who are 62 years of age or over.

(c) In order to be eligible for the assistance authorized by paragraph (a), the applicant must show (1) that he is the owner of a farm which is without a decent, safe, and sanitary dwelling for himself and his family and necessary resident farm labor, or for the family of the operating tenant, lessee, or sharecropper, or without other farm buildings adequate for the type of farming in which he engages or desires to engage, or that he is the owner of other real estate in a rural area or a rural resident without an adequate dwelling or related facilities for his own use or buildings adequate for his farming operations, or that he is an elderly person in a rural area without an adequate dwelling or related facilities for his own use, or that he is the owner of a farm or other real estate in a rural area who needs refinancing of indebtedness described in clause (4) of subsection (a); (2) that he is without sufficient resources to provide the necessary housing and buildings on his own account; and (3) that he is unable to secure the credit necessary for such housing and buildings from other sources upon terms and conditions which he could reasonably be expected to fulfill.

(d) As used in this title (except in sections 503 and 504(b)), the terms "farm," "farm dwelling," and "farm housing" shall include dwellings or other essential buildings of eligible applicants.

* * * * * * *

SEC. 513. There is hereby authorized to be appropriated to the Secretary (a) such sums as may be necessary to meet payments on notes or other obligations issued by the Secretary under section 511 equal to

(i) the aggregate of the contributions made by the Secretary in the form of credits on principal due on loans made pursuant to section 503, and (ii) the interest due on a similar sum represented by notes or other obligations issued by the Secretary; (b) not to exceed $50,000,000 for grants pursuant to section 504(a) and loans pursuant to section 504(b) during the period beginning July 1, 1956, and ending October 1, 1969; (c) not to exceed $50,000,000 for financial assistance pursuant to section 516 for the period ending October 1, 1969; (d) not to exceed $250,000 per year for research and study programs pursuant to subsections (b), (c), and (d) of section 506 during the period beginning July 1, 1961, and ending October 1, 1969; [and] (e) such further sums as may be necessary to enable the Secretary to carry out the provisions of this title; *and (f) such sums as may be required by the Secretary to administer the provisions of sections 235 and 236 of the National Housing Act.*

INSURANCE OF LOANS FOR THE PROVISION OF HOUSING AND RELATED FACILITIES FOR DOMESTIC FARM LABOR

SEC. 514. (a) The Secretary is authorized to insure and make commitments to insure loans made by lenders other than the United States to the owner of any farm, any association of farmers, any State or political subdivision thereof, or any public or private nonprofit organization for the purpose of providing housing and related facilities for domestic farm labor in accordance with terms and conditions substantially identical with those specified in section 502; except that—

(1) no such loan shall be insured in an amount in excess of the value of the farm involved less any prior liens in the case of a loan to an individual owner of a farm, or the total estimated value of the structures and facilities with respect to which the loan is made in the case of any other loan;

* * * * * * *

(f) As used in this section—

(1) the term "housing" means (A) new structures suitable for dwelling use by domestic farm labor, and (B) existing structures which can be made suitable for dwelling use by domestic farm labor by rehabilitation, alteration, conversion, or improvement; and

(2) the term "related facilities" means (A) new structures suitable for use as dining halls, community rooms or buildings, or infirmaries, or for other essential services facilities, [and] (B) existing structures which can be made suitable for the above uses by rehabilitation, alteration, conversion, or improvement *and (C) land necessary for an adequate site*; and

(3) the term "domestic farm labor" means persons who receive a substantial portion (as determined by the Secretary) of their income as laborers on farms situated in the United States and either (A) are citizens of the United States or (B) reside in the United States after being legally admitted for permanent residence therein.

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DEFINITION OF RURAL AREA

SEC. 520. As used in this title, the terms "rural" and "rural area" mean any open country, or any place, town, village, or city which is not part of or associated with an urban area and which (1) has a population not in excess of 2,500 inhabitants, or (2) has a population in excess of 2,500 but not in excess of 5,500 if it is rural in character.

LOANS TO PROVIDE OCCUPANT-OWNED, RENTAL, AND COOPERATIVE HOUSING FOR LOW AND MODERATE INCOME PERSONS AND FAMILIES

SEC. 521. (a) Notwithstanding the provisions of sections 502, 517(a), and 515, loans to persons of low or moderate income under section 502 or 517(a)(1), and loans under section 515 to provide rental or cooperative housing and related facilities for persons and families of low or moderate income or elderly persons and elderly families, shall bear interest at a rate prescribed by the Secretary at not less than a rate determined by the Secretary of the Treasury taking into consideration the current average market yield on outstanding marketable obligations of the United States with remaining periods to maturity comparable to the average maturities of such loans, adjusted to the nearest one-eighth of 1 per centum, less not to exceed the difference between the adjusted rate determined by the Secretary of the Treasury and 1 per centum per annum: Provided, That such a loan may be made only when the Secretary determines that the needs of the applicant for necessary housing cannot be met with financial assistance from other sources including assistance under section 235 or 236 of the National Housing Act: Provided further, That interest on loans under section 502 or 517(a) to victims of natural disasters shall not exceed the rate which would be applicable to such loans under section 502 without regard to this section.

(b) Housing and related facilities provided with loans described in subsection (a) shall be located in rural areas; and applicants eligible for such loans under section 502 or 517(a)(1), or for occupancy of housing provided with such loans under section 515, shall include otherwise qualified nonrural residents who will become rural residents.

(c) There shall be reimbursed to the Rural Housing Insurance Fund by annual appropriations the amounts by which nonprincipal payments made from the fund during each fiscal year to the holders of insured loans described in subsection (a) exceed interest due from the borrowers during each year; and the Secretary from time to time may issue notes to the Secretary of the Treasury under section 517(h) to obtain amounts equal to such unreimbursed excess payments, pending the annual reimbursement by appropriation.

HOUSING FOR RURAL TRAINEES

SEC. 522. (a) Upon the application of any State or political subdivision thereof, or any public or private nonprofit organization, the Secretary is authorized, after consultation with the Secretary of Labor, the Secretary of Health, Education, and Welfare, the Secretary of Housing and Urban Development, and the Director of the Office of Economic Opportunity, and after the Secretary determines that the housing and related facilities cannot reasonably be provided in any other way, to pro-

vide financial and technical assistance for the establishment, in rural areas, of housing and related facilities for trainees and their families who are residents of a rural area and have a rural background, while such trainees are enrolled and participating in training courses designed to improve their employment capability. The selection of training sites and location of housing shall be made with due regard to the economic viability of the area, and only after consideration of a labor area survey and full coordination among all Government agencies having primary responsibility for administering related programs.

(b) Housing and related facilities assisted under this section shall be safe and sanitary, constructed in the most economical manner, and of modest design, giving due consideration to the purposes to be served and the needs of the occupants, and may, in the discretion of the Secretary, include mobile family quarters. Design and location shall be such as to facilitate, as feasible, the use of such housing and related facilities for other purposes when no longer needed for the primary purpose.

(c) The applicant shall contribute the necessary land, or funds to acquire such land, from its own resources, including land acquired by donation or from funds repayable under subsection (e) or borrowed from other sources.

(d) No financial assistance shall be made available under this section unless, to the extent and for the periods required by the Secretary, the applicant agrees that—

(1) such housing will be maintained at all times in a safe and sanitary condition in accordance with standards prescribed by State or local law, or, in the absence of such standards, with requirements prescribed by the Secretary;

(2) priority shall be given at all times, in granting occupancy of such housing and facilities, to the trainees and their families described in subsection (a); and

(3) rentals charged them shall not exceed amounts approved by the Secretary after considering the portion of the actual total family income which the family can afford to pay for rent while meeting its other immediate needs during occupancy.

(e) The Secretary may make advances pursuant to any contract for financial assistance under this section at such times and in such manner as may be specified in the contract. Such advances for the purchase of land shall be repayable with interest and within a period not to exceed thirty-three years and may be made upon such security, if any, as the Secretary requires. Advances for other purposes may be made repayable with or without interest or nonrepayable, as determined by the Secretary on the basis of the anticipated income and cost of operation of the housing and related facilities and the ability of each applicant to finance such facilities. Any advances shall be limited to cover the capital costs of constructing such facilities, plus interest on borrowings to cover such costs.

(f) Should housing and related facilities assisted pursuant to a contract under this section be sold to an ineligible transferee or diverted to a use other than its primary purpose within a period specified in the contract, all advances made under such contract shall be repaid to the Secretary, up to the amount of the sales price or the fair value of the property as determined by the Secretary, whichever is higher, with interest from the date of the sale or diversion. If no suitable alternate use of the property is available, as determined by the Secretary, after the purpose of this section can no longer be served, the property shall be returned to its original condition by the recipient of the assistance.

(g) Interest charged on advances made under this section shall be at a rate, prescribed by the Secretary, which shall be not less than a rate determined by the Secretary of the Treasury taking into consideration the current average market yield on outstanding marketable obligations of the United States with remaining periods to maturity comparable to the average maturities of such loans, adjusted to the nearest one-eighth of 1 per centum, less not to exceed the difference between the adjusted rate determined by the Secretary of the Treasury and 1 per centum per annum, as determined by the Secretary.

(h) The Secretary shall prescribe regulations to insure that Federal funds expended under this section are not wasted or dissipated.

(i) As used in this section (1) the term "related facilities" shall include any necessary community rooms or buildings, infirmaries, utilities, access roads, water and sewer services, and the minimum fixed or movable equipment determined by the Secretary to be necessary to make the housing reasonably habitable by trainees and their families; and (2) the term "trainee" means any person receiving training under any federally assisted training program.

(j) All laborers and mechanics employed in connection with the provision of housing and related facilities assisted under this section, where such housing includes 8 or more dwelling units, shall be paid wages at rates not less than those prevailing on similar construction in the locality as determined by the Secretary of Labor in accordance with the Davis-Bacon Act, as amended (40 U.S.C. 276a—276a–5); and no assistance shall be extended under this section with respect to such housing and the related facilities without first obtaining adequate assurance that these labor standards will be maintained upon the construction work involved. The Secretary of Labor shall have, with respect to the labor standards specified in this subsection, the authority and functions set forth in Reorganization Plan Numbered 14 of 1950 (64 Stat. 1267) and section 2 of the Act of June 13, 1934 (40 U.S.C. 276c).

(k) There are authorized to be appropriated such sums as may be necessary to carry out this section.

MUTUAL AND SELF-HELP HOUSING

SEC. 523. (a) The purposes of this section are (1) to make financial assistance available on reasonable terms and conditions in rural areas and small towns to needy low-income individuals and their families who, with the benefit of technical assistance and overall guidance and supervision, participate in approved programs of mutual or self-help housing by acquiring and developing necessary land, acquiring building materials, providing their own labor, and working cooperatively with others for the provision of decent, safe, and sanitary dwellings for themselves, their families, and others in the area or town involved, and (2) to facilitate the efforts of both public and private nonprofit organizations providing assistance to such individuals to contribute their technical and supervisory skills toward more effective and comprehensive programs of mutual or self-help housing in rural areas and small towns wherever necessary.

(b) In order to carry out the purposes of this section, the Secretary of Agriculture (in this section referred to as the "Secretary") is authorized—

(1) to make grants to, or contract with, public or private nonprofit corporations, agencies, institutions, organizations, and other associations approved by him, to pay part or all of the costs of developing,

conducting, administering, or coordinating effective and comprehensive programs of technical and supervisory assistance which will aid needy low-income individuals and their families in carrying out mutual or self-help housing efforts;

(2) to make loans, on such terms and conditions and in such amounts as he deems necessary, to needy low-income individuals participating in programs of mutual or self-help housing approved by him, for the acquisition and development of land and for the purchase of such other building materials as may be necessary in order to enable them, by providing substantially all of their own labor, and by cooperating with others participating in such programs, to carry out to completion the construction of decent, safe, and sanitary dwellings for such individuals and their families, subject to the following limitations:

(A) there is reasonable assurance of repayment of the loan;

(B) the amount of the loan, together with other funds which may be available, is adequate to achieve the purpose for which the loan is made;

(C) the credit assistance is not otherwise available on like terms or conditions from private sources or through other Federal, State, or local programs;

(D) the loan bears interest at a rate not to exceed 3 per centum per annum on the unpaid balance of principal, plus such additional charge, if any, toward covering other costs of the loan program as the Secretary may determine to be consistent with its purposes; and

(E) the loan is repayable within not more than thirty-three years.

(c) In determining whether to extend financial assistance under paragraph (1) or (2) of subsection (b), the Secretary shall take into consideration, among other factors, the suitability of the area within which construction will be carried out to the type of dwelling which can be provided under mutual or self-help housing programs, the extent to which the assistance will facilitate the provision of more decent, safe, and sanitary housing conditions than presently exist in the area, the extent to which the assistance will be utilized efficiently and expeditiously, the extent to which the assistance will effect an increase in the standard of living of low-income individuals participating in the mutual or self-help housing program, and whether the assistance will fulfill a need in the area which is not otherwise being met through other programs, including those carried out by other Federal, State, or local agencies.

(d) As used in this section, the term "construction" includes the erection of new dwellings, and the rehabilitation, alteration, conversion, or improvement of existing structures.

(e) The Secretary is authorized to establish appropriate criteria and procedures in order to determine the eligibility of applicants for the financial assistance provided under this section, including criteria and procedures with respect to the periodic review of any construction carried out with such financial assistance.

(f) There are hereby authorized to be appropriated for each fiscal year commencing after June 30, 1968, and ending prior to July 1, 1973, such sums, not in excess of $5,000,000 for any such fiscal year, as may be necessary to carry out the provisions of this section. No grant or loan may be made or contract entered into under the authority of this section after June 30, 1973, except pursuant to a commitment or other obligation entered into pursuant to this section before that date.

TITLE IV OF THE HOUSING ACT OF 1950

[Public Law 475, 81st Congress, 64 Stat. 48, 77, 12 U.S.C. 1749]

TITLE IV—HOUSING FOR EDUCATIONAL INSTITUTIONS

FEDERAL [LOANS] *ASSISTANCE IN THE FORM OF LOANS OR ANNUAL GRANTS*

SEC. 401. (a) To assist educational institutions in providing housing and other educational facilities for students and faculties, the Secretary may make loans of funds to such institutions for the construction *or purchase* of such facilities[: *Provided*, That (1) no such loan shall be made unless the educational institution shows that it is unable to secure the necessary funds for such construction from other sources upon terms and conditions equally as favorable as the terms and conditions applicable to loans under this title, and (2) no such loan shall be made unless the Secretary finds that the construction will be undertaken in an economical manner, and that it will not be of elaborate or extravagant design or materials.] *or may, as an alternative to all or part of the loan (in the case of any such institution), make annual grants to the institution to reduce the cost of its borrowing from other sources for such construction or purchase: Provided, That no such assistance shall be provided unless (1) the educational institution involved is unable to secure the necessary funds for the construction or purchase from other sources upon terms and conditions equally as favorable as the terms and conditions applicable to loans under this title, and (2) the Secretary finds that any such construction will be undertaken in an economical manner, and that any such facilities are not or will not be of elaborate or extravagant design or materials.*

(b) Any educational institution which, prior to the date of enactment of this Act, has contracted for housing or other educational facilities may, in connection therewith, receive loans authorized under this title, as the Secretary may determine: *Provided*, That no such loan shall be made for any housing or other educational facilities, the construction of which was begun prior to the effective date of this Act, or completed prior to the filing of an application under this title.

(c) *(1)* A loan to an educational institution may be in an amount not exceeding the total development cost of the facility, as determined by the Secretary; shall be secured in such manner and be repaid within such period, not exceeding fifty years, as may be determined by him; and with respect to loan contracts under which loan funds have not been fully disbursed prior to the date of enactment of the College Housing Amendments of 1955 shall bear interest at a rate determined by the Secretary which shall be not more than the lower of [(1)] *(A)* 3 per centum per annum, or [(2)] *(B)* the total of one-quarter of 1 per centum per annum added to the rate of interest paid by the Secretary on funds obtained from the Secretary of the Treasury as provided in subsection (e) of this section.

(2) Annual grants to an educational institution with respect to any housing or other educational facilities shall be made over a fixed period not exceeding 40 years, and provision for such grants shall be embodied in a contract guaranteeing their payment over such period. Each such grant shall be in an amount equal to the difference between (A) the average annual debt service which would be required to be paid, during the life of the loan, on the amount borrowed from other sources for the con-

struction of such facilities, and (B) the average annual debt service which the institution would have been required to pay, during the life of the loan, with respect to such amounts if the applicable interest rate were the rate specified in paragraph (1): Provided, That the amount on which such grant is based shall be approved by the Secretary but in no event shall exceed the total development cost of the facilities.

(d)(*1*) To obtain funds for loans under subsection (a) of this section, the Secretary may issue and have outstanding at any one time notes and obligations for purchase by the Secretary of the Treasury in an amount not to exceed $1,675,000,000, which amount shall be increased by $300,000,000 on July 1 in each of the years 1961 through 1965, and 1967, and 1968: *Provided,* That the amount outstanding for other educational facilities, as defined herein, shall not exceed $175,000,000, which limit shall be increased by $30,000,000 on July 1 in each of the years 1961 through 1968: *Provided further,* That the amount outstanding for hospitals, referred to in clause (2) of section 404(b) of this title, shall not exceed $100,000,000, which limit shall be increased by $30,000,000 on July 1 in each of the years 1961 through 1968 and, notwithstanding the first proviso of this subsection, the amount of this annual increase which is not utilized for loans for hospitals may be utilized for loans for other educational facilities, as defined herein.

(*2*) *There are hereby authorized to be appropriated to the Secretary such sums as may be necessary, together with loan principal and interest payments made by educational institutions assisted with loans made hereunder, for payments on notes or other obligations issued by the Secretary under this section.*

(e) Notes or other obligations issued by the Secretary under this title shall be in such forms and denominations, have such maturities, and be subject to such terms and conditions as may be prescribed by the Secretary, with the approval of the Secretary of the Treasury. Such notes or other obligations issued to obtain funds for loan contracts entered into after the effective date of the College Housing Amendments of 1955 shall bear interest at a rate determined by the Secretary of the Treasury which shall be not more than the lower of (1) 2¾ per centum per annum, or (2) the average annual interest rate on all interest-bearing obligations of the United States then forming a part of the public debt as computed at the end of the fiscal year next preceding the issuance by the Secretary and adjusted to the nearest one-eighth of 1 per centum. The Secretary of the Treasury is authorized and directed to purchase any notes and other obligations of the Secretary issued under this title and for such purpose is authorized to use as a public debt transaction the proceeds from the sale of any securities issued under the Second Liberty Bond Act, as amended, and the purposes for which securities may be issued under such Act, as amended, are extended to include any purchases of such notes and other obligations. The Secretary of the Treasury may at any time sell any of the notes or other obligations acquired by him under this section. All redemptions, purchases, and sales by the Secretary of the Treasury of such notes or other obligations shall be treated as public-debt transactions of the United States.

[(f) There are hereby authorized to be appropriated to the Secretary such sums as may be necessary, together with loan principal

and interest payments made by educational institutions assisted hereunder, for payments on notes or other obligations issued by the Secretary under this section.]

(f)(1) There are hereby authorized to be appropriated to the Secretary such sums as may be necessary for the payment of annual grants to educational institutions in accordance with this section.

(2) Contracts for annual grants under this section shall not be entered into in an aggregate amount greater than is authorized in appropriation Acts; and in any event the total amount of annual grants which may be paid to educational institutions in any year pursuant to contracts entered into under this section shall not exceed $10,000,000, which amount shall be increased by $10,000,000 on July 1, 1969.

(g) Except as otherwise provided in the second paragraph of section 404(b), in the case of any loan *which is* made under this section to a nonprofit student housing cooperative corporation referred to in clause (5) of section 404(b), *or which is obtained from other sources by such a corporation and is the subject of a contract for annual grants entered into under this section,* the Secretary shall require that the note securing such loan be cosigned by the educational institution (referred to in clause (1) of such section) at which such corporation is [located; and] *located, and that,* in the event of the dissolution of such corporation, title to the housing constructed with such loan [shall] *will* vest in such educational institution.

* * * * * * *

APPORTIONMENT

SEC. 403. Not more than 12½ per centum of *the amount of* the funds provided for in this title in the form of loans, *and not more than 12½ per centum of the funds provided for in this title for grants,* shall be made available to educational institutions within any one State.

DEFINITIONS

SEC. 404. For the purposes of this title, the following terms shall have the meanings, respectively, ascribed to them below:

(a) "Housing" means (1) new structures suitable for dwelling use, including single-room dormitories and apartments, and (2) dwelling facilities provided by rehabilitation, alteration, conversion, or improvement of existing structures which are otherwise inadequate for the proposed dwelling use.

(b) "Educational institution" means (1) (A) any educational institution which offers, or provides satisfactory assurance to the Secretary that it will offer within a reasonable time after completion of a facility for which assistance is requested under this title, at least a two-year program acceptable for full credit toward a baccalaureate degree (including any educational institution, or any private educational institution no part of the net earnings of which inures to the benefit of any private shareholder or individual), or (B) any public educational institution which (i) is administered by a college or university which is accredited by a nationally recognized accrediting agency or association, (ii) offers technical or vocational instruction, and (iii) provides residential facilities for some or all of the

students receiving such instruction, (2) any hospital operating a school of nursing beyond the level of high school approved by the appropriate State authority, or any hospital approved for internships by recognized authority, if such hospital is either a public hospital or a private hospital, no part of the net earnings of which inures to the benefit of any private shareholder or individual, (3) any corporation (no part of the net earnings of which inures to the benefit of any private shareholder or individual) (A) established for the sole purpose of providing housing or other educational facilities for students or students and faculty of one or more institutions included in clause (1) of this subsection without regard to their membership in or affiliation with any social, fraternal, or honorary society or organization, and (B) upon dissolution of which all title to any property purchased or built from the proceeds of any loan [secured under this title] *which is made under section 401, or is the subject of a contract for annual grants entered into under section 401,* will pass to such institution (or to any one or more of such institutions) unless it is shown to the satisfaction of the Secretary that such property or the proceeds from its sale will be used for some other nonprofit educational purpose, (4) any agency, public authority, or other instrumentality of any State established for the purpose of providing or financing housing or other educational facilities for students or faculty of any public educational institution included in clause (1) of this subsection, but nothing herein contained shall require an institution included in clause (1) of this subsection to obtain loans *or grants* through any instrumentality included in this clause of this subsection, and (5) any nonprofit student housing cooperative corporation established for the purpose of providing housing for students or students and faculty of any institution included in clause (1) of this subsection.

In the case of any loan made under section 401 to a corporation described in clause (3) of this subsection which was not established by the institution or institutions for whose students or students and faculty it would provide housing, or to a student housing cooperative corporation described in clause (5) of this subsection, *and in the case of any loan which is obtained from other sources by such a corporation and is the subject of a contract for annual grants entered into under section 401,* the Secretary shall require that the note securing such loan be cosigned by such institution (or by any one or more of such institutions): *Provided,* That where the law of any State in effect on the date of enactment of the Housing Act of 1964 prevents the institution or institutions, for whose students or students and faculty the housing is to be provided, from cosigning the note, the Secretary shall require the corporation and the proposed project to be approved by such institution (or by any one or more of such institutions) in lieu of such cosigning.

(c) "Development cost" means costs of the construction of the housing or other educational facilities and the land on which it is located, including necessary site improvements to permit its use for housing or other educational facilities*; except that in the case of the purchase of facilities such term means the cost as approved by the Secretary.*

(d) "Facilities" means members of the faculty and their families.

(e) "State" shall include the several States, the District of Columbia, and the Territories and possessions of the United States.

(f) "Secretary" means the Secretary of Housing and Urban Development.

(g) "Construction" means erection of new structures, or rehabilitation, alteration, conversion, or improvement of existing structures.

(h) "Other educational facilities" means (1) new structures suitable for use as cafeterias or dining halls, student centers or student unions, infirmaries or other inpatient or outpatient health facilities, or for other essential service facilities, and (2) structures suitable for the above uses provided by rehabilitation, alteration, conversion, or improvement of existing structures which are otherwise inadequate for such uses.

* * * * * * *

HOUSING ACT OF 1954

* * * * * * *

SEC. 314. (a) The Secretary of Housing and Urban Development is authorized to make grants, subject to such terms and conditions as he shall prescribe, [to public bodies, including cities and other political subdivisions,] *to public bodies (including cities and other political subdivisions) and nonprofit organizations*, to assist them in developing, testing, and reporting methods and techniques, and carrying out demonstrations and other activities for the prevention and the elimination of slums and urban blight. *In the case of any such grant to a nonprofit organization, the Secretary shall require that the assisted activities and undertakings are not inconsistent with the program of the local public agency.* No such grant shall exceed [two-thirds] *90 per centum* of the cost, as determined or estimated by [said] *the* Secretary, of [such] *the assisted* activities or undertakings, but such a grant may in addition cover the full cost of writing and publishing the reports on such activities and undertakings. In administering this section, said Secretary shall give preference to those activities and undertakings which in his judgment can reasonably be expected to (1) contribute most significantly to the improvement of methods and techniques for the elimination and prevention of slums and blight, and (2) best serve to guide renewal programs in other communities.

(b) The Secretary is further authorized to pay for the cost of (1) writing and publishing reports on activities and undertakings financed by grants made under this section, as well as reports on similar activities and undertakings, not so financed, which are of significant value in furthering the purposes of this section, and (2) writing and publishing summaries and other informational material on such reports.

(c) The aggregate amount of grants made under subsection (a), and other costs incurred pursuant to subsection (b), shall not exceed [$10,000,000] *$20,000,000* and shall be payable from the grant funds provided under and authorized by section 103(b) of the Housing Act of 1949. The Secretary may make advance or progress payments on account of any contract entered into pursuant to this section, notwithstanding the provisions of section 3648 of the Revised Statutes, as amended.

* * * * * * *

[URBAN PLANNING

[SEC. 701. (a) In order to assist State and local governments in solving planning problems resulting from the increasing concentration of population in metropolitan and other urban areas, including smaller communities; to facilitate comprehensive planning for urban development, including coordinated transportation systems, on a continuing basis by such governments; and to encourage such governments to establish and improve planning staffs, the Secretary is authorized to make planning grants to—

[(1) State planning agencies, or (in States where no such planning agency exists) to agencies or instrumentalities of State government designated by the Governor of the State and acceptable to the Secretary as capable of carrying out the planning functions contemplated by the section, for the provision of planning assistance to (A) cities and other municipalities having a population of less than 50,000 according to the latest decennial census, and counties without regard to population: *Provided*, That grants shall be made under this paragraph for planning assistance to counties having a population of 50,000 or more, according to the latest decennial census, which are within metropolitan areas, only if (i) the Secretary finds that planning and plans for such county will be coordinated with the program of comprehensive planning, if any, which is being carried out for the metropolitan area of which the county is a part, and (ii) the aggregate amount of the grants made subject to this proviso does not exceed 15 per centum of the aggregate amount appropriated, after the date of enactment of the Housing Act of 1964, for the purposes of this section, (B) any group of adjacent communities, either incorporated or unincorporated, having a total population of less than 50,000 according to the latest decennial census and having common or related urban planning problems, (C) cities, other municipalities, and counties, referred to in paragraph (3) of this subsection and areas referred to in paragraph (4) of this subsection, and (D) Indian reservations;

[(2) official State, metropolitan, and regional planning agencies, or other agencies and instrumentalities designated by the Governor (or Governors in the case of interstate planning) and acceptable to the Secretary, empowered under State or local laws or interstate compact to perform metropolitan or regional planning;

[(3) cities, other municipalities, and counties which (A) are situated in areas designated by the Secretary of Commerce under section 5 of the Area Redevelopment Act as redevelopment areas or (B) have suffered substantial damage as a result of a catastrophe which the President, pursuant to section 2(a) of "An Act to authorize Federal assistance to States and local governments in major disasters, and for other purposes" has determined to be a major disaster;

[(4) to official governmental planning agencies for areas where rapid urbanization has resulted or is expected to result from the establishment or rapid and substantial expansion of a Federal

installation, or for areas where rapid urbanization is expected to result on land developed or to be developed as a new community approved under section 1004 of the National Housing Act;

[(5) State planning agencies for State and interstate comprehensive planning (as defined in subsection (d)) and for research and coordination activity related thereto;

[(6) metropolitan and regional planning agencies, with the approval of the State planning agency or (in States where no such planning agency exists) of the Governor of the State, for the provision of planning assistance within the metropolitan area or region to cities, other municipalities, counties, groups of adjacent communities, or Indian reservations described in clauses (A), (B), (C), and (D) of paragraph (1) of this subsection;

[(7) to official governmental planning agencies for any area where there has occurred a substantial reduction in employment opportunities as the result of (A) the closing (in whole or in part) of a Federal installation, or (B) a decline in the volume of Government orders for the procurement of articles or materials produced or manufactured in such area;

[(8) tribal planning councils or other tribal bodies designated by the Secretary of the Interior for planning for an Indian reservation to which no State planning agency or other agency or instrumentality is empowered to provide planning assistance under clause (D) of paragraph (1) above;

[(9) the Appalachian Regional Commission, for comprehensive planning for the Appalachian region as defined by section 403 of the Appalachian Regional Development Act of 1965; and

[(10) local development districts, certified under section 301 of the Appalachian Regional Development Act of 1965, for comprehensive planning for their entire areas, or for metropolitan planning, urban planning, county planning, or small municipality planning within such areas, in the Appalachian region, and for planning for Appalachian regional programs.

Planning assisted under this section shall, to the maximum extent feasible, cover entire urban areas having common or related urban development problems. The Secretary shall encourage cooperation in preparing and carrying out plans among all interested municipalities, political subdivisions, public agencies, and other parties in order to achieve coordinated development of entire areas. To the maximum extent feasible, pertinent plans and studies already made for areas shall be utilized so as to avoid unnecessary repetition of effort and expense. Planning which may be assisted under this section includes the preparation of comprehensive urban transportation surveys, studies, and plans to aid in solving problems of traffic congestion, facilitating the circulation of people and goods in metropolitan and other urban areas, and reducing transportation needs. Funds available under this section shall be in addition to and may be used jointly with funds available for planning surveys and investigations under other Federally-aided programs, and nothing contained in this section shall be construed as affecting the authority of the Secretary of Commerce under section 307 of title 23, United States Code.

[(b) A planning grant made under this section shall not exceed two-thirds of the estimated cost of the work for which the grant is made: *Provided*, That such a grant may be in an amount not exceeding

three-fourths of such estimated cost to an official governmental planning agency for an area described in subsection (a)(7), or for planning being carried out for a city, other municipality, county, group of adjacent communities, or Indian reservation in an area designated by the Secretary of Commerce as a redevelopment area under section 5 of the Area Redevelopment Act (or under any Act supplementary thereto), to States and local development districts participating in planning for Appalachian regional programs, for expenses incurred in the course of such planning, or to the Appalachian Regional Commission. All grants made under this section shall be subject to terms and conditions prescribed by the Secretary. No portion of any grant made under this section shall be used for the preparation of plans for specific public works. The Secretary is authorized, notwithstanding the provisions of section 3648 of the Revised Statutes, as amended, to make advance or progress payment on account of any grant made under this section. There is hereby authorized to be appropriated not exceeding $230,000,000, to carry out the purposes of this section, and any amounts so appropriated shall remain available until expended: *Provided*, That not to exceed 5 per centum of any funds so appropriated may be used by the Secretary for studies, research, and demonstration projects, undertaken independently or by contract, for the development and improvement of techniques and methods for comprehensive planning and for the advancement of the purposes of this section, and for grants to assist in the conduct of studies and research relating to needed revisions in State statutes which create, govern, or control local governments and local governmental operations.

[(c) The Secretary is authorized, in areas embracing several municipalities or other political subdivisions, to encourage planning on a unified metropolitan basis and to provide technical assistance for such planning and the solution of problems relating thereto.

[(d) It is the further intent of this section to encourage comprehensive planning, including transportation planning, for States, cities, counties, metropolitan areas, urban regions, and Indian reservations and the establishment and development of the organizational units needed therefore. The Secretary is authorized to provide technical assistance to State and local governments and their agencies and instrumentalities, and to Indian tribal bodies, undertaking such planning and, by contract or otherwise, to make studies and publish information on related problems. In extending financial assistance under this section, the Secretary may require such assurances as he deems adequate that the appropriate State and local agencies are making reasonable progress in the development of the elements of comprehensive planning. Comprehensive planning, as used in this section, includes the following, to the extent directly related to urban needs: (1) preparation, as a guide for long-range development, of general physical plans with respect to the pattern and intensity of land use and the provision of public facilities, including transportation facilities, together with long-range fiscal plans for such development; (2) programming of capital improvements based on a determination of relative urgency, together with definitive financing plans for the improvements to be constructed in the earlier years of the program; (3) coordination of all related plans of the departments or subdivisions of the government concerned; (4) intergovernmental coordination of

all related planned activities among the State and local governmental agencies concerned; and (5) preparation of regulatory and administrative measures in support of the foregoing.

[(e) In the exercise of his function of encouraging comprehensive planning by the States, the Secretary shall consult with those officials of the Federal Government responsible for the administration of programs of Federal assistance to the States and municipalities for various categories of public facilities.

[(f) The consent of the Congress is hereby given to any two or more States to enter into agreements or compacts, not in conflict with any law of the United States, for cooperative efforts and mutual assistance in the comprehensive planning for the physical growth and development of interstate, metropolitan, or other urban areas, and to establish such agencies, joint or otherwise, as they may deem desirable for making effective such agreements and compacts.

[(g) In addition to the planning grants authorized by subsection (a), the Secretary is further authorized to make grants to organizations composed of public officials whom he finds to be representative of the political jurisdictions within a metropolitan area or urban region for the purpose of assisting such organizations to undertake studies, collect data, develop regional plans and programs, and engage in such other activities as the Secretary finds necessary or desirable for the solution of the metropolitan or regional problems in such areas or regions. To the maximum extent feasible, all grants under this subsection shall be for activities relating to all the developmental aspects of the total metropolitan area or urban region, including, but not limited to, land use, transportation, housing, economic development, natural resources development, community facilities, and the general improvement of living environments. A grant under this subsection shall not exceed two-thirds of the estimated cost of the work for which the grant is made.

[(h) In addition to the other grants authorized by this section, the Secretary is authorized to make grants to assist any city, other municipality, or county in making a survey of the structures and sites in such locality which are determined by its appropriate authorities to be of historic or architectural value. Any such survey shall be designed to identify the historic structures and sites in the locality, determine the cost of their rehabilitation or restoration, and provide such other information as may be necessary or appropriate to serve as a foundation for a balanced and effective program of historic preservation in such locality. The aspects of any such survey which relate to the identification of historic and architectural values shall be conducted in accordance with criteria found by the Secretary to be comparable to those used in establishing the National Register maintained by the Secretary of the Interior under other provisions of law; and the results of each such survey shall be made available to the Secretary of the Interior. A grant under this subsection shall not exceed two-thirds of the cost of the survey for which it is made, and shall be made to the appropriate agency or entity specified in paragraphs (1) through (9) of subsection (a) or, if there is no such agency or entity which is qualified and willing to receive the grant and provide for its utilization in accordance with this subsection, directly to the city, other municipality, or county involved.]

COMPREHENSIVE PLANNING

SEC. 701. (a) In order to assist State and local governments in solving planning problems, including those resulting from the increasing concentration of population in metropolitan and other urban areas and the out-migration from and lack of coordinated development of resources and services in rural areas; to facilitate comprehensive planning for urban and rural development, including coordinated transportation systems, on a continuing basis by such governments; and to encourage such governments to establish and improve planning staffs and techniques on an areawide basis, and to engage private consultants where their professional services are deemed appropriate by the assisted governments, the Secretary is authorized to make planning grants to—

(1) State planning agencies for the provision of planning assistance to (A) cities and other municipalities having a population of less than 50,000 according to the latest decennial census, and counties without regard to population: Provided, That grants shall be made under this paragraph for planning assistance to counties having a population of 50,000 or more, according to the latest decennial census, which are within metropolitan areas, only if (i) the Secretary finds that planning and plans for such county will be coordinated with the program of comprehensive planning, if any, which is being carried out for the metropolitan area of which the county is a part, and (ii) the aggregate amount of the grants made subject to this proviso does not exceed 15 per centum of the aggregate amount appropriated, after September 2, 1964, for the purposes of this section, (B) any group of adjacent communities, either incorporated or unincorporated, having a total population of less than 50,000 according to the latest decennial census and having common or related urban planning problems, (C) cities, other municipalities, and counties referred to in paragraph (3) of this subsection, and areas referred to in paragraph (4) of this subsection, and (D) Indian reservations;

(2) State, metropolitan, and regional planning agencies for metropolitan or regional planning, and to cities within metropolitan areas for planning which is part of comprehensive metropolitan planning and which shall supplement and be coordinated with State, metropolitan, and regional planning;

(3) cities, other municipalities, and counties which (A) are situated in redevelopment areas or economic development districts designated by the Secretary of Commerce under title IV of the Public Works and Economic Development Act of 1965, or (B) have suffered substantial damage as a result of a catastrophe which the President, pursuant to section 2(a) of the Act entitled "An Act to authorize Federal assistance to States and local governments in major disasters, and for other purposes", approved September 30, 1950, as amended (42 U.S.C. 1855a), has determined to be a major disaster;

(4) official governmental planning agencies for areas where rapid urbanization has resulted or is expected to result from the establishment or rapid and substantial expansion of a Federal installation, or for areas where rapid urbanization is expected to result on land developed or to be developed as a new community approved under section 1004 of the National Housing Act;

(5) States for State and interstate comprehensive planning and for research and coordination activity related thereto, including technical and other assistance for the establishment and operation of intrastate and interstate planning agencies;

(6) State planning agencies for assistance to district planning, or planning for areas within districts, carried on by or for district planning agencies;

(7) metropolitan and regional planning agencies, with the approval of the State planning agency or (in States where no such planning agency exists) of the Governor of the State, for the provision of planning assistance within the metropolitan area or region to cities, other municipalities, counties, groups of adjacent communities, or Indian reservations described in clauses (A), (B), (C), and (D) of paragraph (1) of this subsection;

(8) official governmental planning agencies for any area where there has occurred a substantial reduction in employment opportunities as the result of (A) the closing (in whole or in part) of a Federal installation, or (B) a decline in the volume of Government orders for the procurement of articles or materials produced or manufactured in such area;

(9) tribal planning councils or other tribal bodies designated by the Secretary of the Interior for planning for an Indian reservation;

(10) the Appalachian Regional Commission, established by the Appalachian Regional Development Act of 1965, for comprehensive planning for the Appalachian region as defined by section 403 of such Act (or State agencies or instrumentalities participating in such planning); and

(11) local development districts, certified under section 301 of the Appalachian Regional Development Act of 1965, for comprehensive planning for their entire areas, or for metropolitan planning, urban planning, county planning, or small municipality planning within such areas in the Appalachian region, and for planning for Appalachian regional programs.

Planning assisted under this section shall, to the maximum extent feasible, cover entire areas having common or related development problems. The Secretary shall encourage cooperation in preparing and carrying out plans among all interested municipalities, political subdivisions, public agencies, and other parties in order to achieve coordinated development of entire areas. To the maximum extent feasible, pertinent plans and studies already made for areas shall be utilized so as to avoid unnecessary repetition of effort and expense. Planning which may be assisted under this section includes the preparation of comprehensive transportation surveys, studies, and plans to aid in solving problems of traffic congestion, facilitating the circulation of people and goods in metropolitan and other areas and reducing transportation needs. Planning carried out with assistance under this section shall also include a housing element as part of the preparation of comprehensive land use plans, and this consideration of the housing needs and land use requirements for housing in each comprehensive plan shall take into account all available evidence of the assumptions and statistical basis upon which the projection of zoning, community facilities, and population growth is based, so that the housing needs of both the region and the local communities studied in the planning will be adequately covered in terms of existing and prospective in-migrant population growth. Funds available under this section shall be in addition

to and may be used jointly with funds available for planning surveys and investigations under other federally aided programs, and nothing contained in this section shall be construed as affecting the authority of the Secretary of Transportation under section 307 of title 23, United States Code.

(b) A planning grant made under subsection (a) shall not exceed two-thirds of the estimated cost of the work for which the grant is made: Provided, That such a grant may be made for up to 74 per centum of such estimated cost when made for planning primarily for (1) redevelopment areas, local development districts, or economic development districts, or portions thereof, described in paragraphs (3)(A) and (11) of subsection (a), (2) areas described in subsection (a)(8), and (3) the Appalachian region, as described in subsection (a)(10). All grants made under this section shall be subject to terms and conditions prescribed by the Secretary. No portion of any grant made under this section shall be used for the preparation of plans for specific public works. The Secretary is authorized, notwithstanding the provisions of section 3648 of the Revised Statutes, as amended, to make advance or progress payments on account of any grant made under this section. There are authorized to be appropriated for the purposes of this section not to exceed $265,000,000 prior to July 1, 1969, and not to exceed $390,000,000 prior to July 1, 1970. Of the amount available prior to July 1, 1969, $20,000,000 may be used only for district planning grants under subsection (a)(6), which amount shall be increased by $10,000,000 on July 1, 1969. Any amounts appropriated under this section shall remain available until expended: Provided, That of any funds appropriated under this section, not to exceed an aggregate of $10,000,000 plus 5 per centum of the funds so appropriated may be used by the Secretary for studies, research, and demonstration projects undertaken independently or by contract, for the development and improvement of techniques and methods for comprehensive planning and for the advancement of the purposes of this section, and for grants to assist in the conduct of studies and research relating to needed revisions in State statutes which create, govern, or control local governments and local governmental operations.

(c) The Secretary is authorized, in areas embracing several municipalities or other political subdivisions, to encourage planning on a unified regional, district, or metropolitan basis and to provide technical assistance for such planning and the solution of problems relating thereto.

(d) It is the further intent of this section to encourage comprehensive planning, including transportatiou planning, for States, cities, counties, metropolitan areas, districts, regions, and Indian reservations and the establishment and development of the organizational units needed therefor. In extending financial assistance under this section, the Secretary may require such assurances as he deems adequate that the appropriate State and local agencies are making reasonable progress in the development of the elements of comprehensive planning. The Secretary is authorized to provide technical assistance to State and local governments and their agencies and instrumentalities, and to Indian tribal bodies, undertaking such planning and, by contract or otherwise, to make studies and publish information on related problems.

(e) In the exercise of his responsibilities under this section, the Secretary shall consult with those officials of the Federal Government responsible for the administration of programs of Federal assistance to the States

and municipalities for various categories of public facilities and other comprehensively planned activities. He shall, particularly, consult with the Secretary of Agriculture prior to his approval of any district planning grants under subsections (a)(6) and (g). The Secretary of Agriculture may provide technical assistance, with or without reimbursement, in connection with the establishment of such districts and the carrying out of such planning.

(f) The consent of the Congress is hereby given to any two or more States to enter into agreements or compacts, not in conflict with any law of the United States, for cooperative efforts and mutual assistance in the comprehensive planning for the growth and development of interstate, metropolitan, or other urban areas, and to establish such agencies, joint or otherwise, as they may deem desirable for making effective such agreements and compacts.

(g) In addition to the planning grants authorized by subsection (a), the Secretary is further authorized to make grants to organizations composed of public officials representative of the political jurisdictions within a metropolitan area, region, or district for the purpose of assisting such organizations to undertake studies, collect data, develop metropolitan, regional, and district plans and programs, and engage in such other activities as the Secretary finds necessary or desirable for the solution of the metropolitan, regional, or district problems in such areas, regions, or districts. To the maximum extent feasible, all grants under this subsection shall be for activities relating to all the developmental aspects of the total metropolitan area, region, or district including, but not limited to, land use, transportation, housing, economic development, natural resources development, community facilities, and the general improvement of living environments. A grant under this subsection shall not exceed two-thirds of the estimated cost of the work for which the grant is made.

(h) In addition to the other grants authorized by this section, the Secretary is authorized to make grants to assist any city, other municipality, or county in making a survey of the structures and sites in such locality which are determined by its appropaiate authorities to be of historic or architectural value. Any such survey shall be designed to identify the historic structures and sites in the locality, determine the cost of their rehabilitation or restoration, and provide such other information as may be necessary to appropriate to serve as a foundation for a balance and effective program of historic preservation in such locality. The aspects of any such survey which relate to the identification of historic and architectural values shall be conducted in accordance with criteria found by the Secretary to be comparable or those used in establishing the national register maintained by the Secretary of the Interior under other provisions of law; and the results of each such survey shall be made available to the Secretary of the Interior. A grant under this subsection shall not exceed two-thirds of the cost of the survey for which it is made, and shall be made to the appropriate agency or entity specified in paragraphs (1) through (11) of subsection (a) or, if there is no such agency or entity which is qualified and willing to receive the grant and provide for its utilization in accordance with this subsection, directly to the city, other municipality, or county involved.

(i) As used in this section—

(1) The term "metropolitan area" means a standard metropolitan statistical area, as established by the Bureau of the Budget, subject,

however, to such modifications or extensions as the Secretary deems to be appropriate for the purposes of this section.

(2) The term "region" includes (A) all or part of the area of jurisdiction of one or more units of general local government, and (B) one or more metropolitan areas.

(3) The term "district" includes all or part of the area of jurisdiction of (A) one or more counties, and (B) one or more other units of general local government, but does not include any portion of a metropolitan area.

(4) The term "comprehensive planning" includes the following:

(A) preparation, as a guide for governmental policies and action, of general plans with respect to (i) the pattern and intensity of land use, (ii) the provision of public facilities (including transportation facilities) and other government services, and (iii) the effective development and utilization of human and natural resources;

(B) long-range physical and fiscal plans for such action;

(C) programing of capital improvements and other major expenditures, based on a determination of relative urgency, together with definitive financing plans for such expenditures in the earlier years of the program;

(D) coordination of all related plans and activities of the State and local governments and agencies concerned; and

(E) preparation of regulatory and administrative measures in support of the foregoing.

Comprehensive planning for the purpose of districts shall not include planning for or assistance to establishments in relocating from one area to another or assist subcontractors whose purpose is to divest, or whose economic success is dependent upon divesting, other contractors or subcontractors of contracts theretofore customarily performed by them: Provided, That this limitation shall not be construed to prohibit assistance for the expansion of an existing business entity through the establishment of a new branch, affiliate, or subsidiary of such entity, if the Secretary finds that the establishment of such branch, affiliate, or subsidiary will not result in an increase in unemployment in the area of original location or in any other area where such entity conducts business operations, unless the Secretary has reason to believe that such branch, affiliate, or subsidiary is being established with the intention of closing down the operations of the existing business entity in the area of its original location or in any other area where it conducts such operations.

(5) The term "State planning agencies" includes official State planning agencies and (in States where no such planning agency exists) agencies or instrumentalities of State government designated by the Governor of the State and acceptable to the Secretary.

(6) The terms "metropolitan planning agencies", "regional planning agencies", and "district planning agencies" mean official metropolitan, regional, and district planning agencies, or other agencies and instrumentalities designated by the Governor (or Governors in the case of interstate planning), and acceptable to the Secretary, empowered under State or local law or interstate compact to perform metropolitan, regional, or district planning, respectively: Provided, That such agencies and instrumentalities shall, to the greatest practicable extent, be composed of or responsible to the elected officials of the unit or units of general local government for whose jurisdictions they are empowered to engage in planning.

RESERVE OF PLANNED PUBLIC WORKS

SEC. 702. (a) In order (1) to encourage municipalities and other public agencies and Indian tribes to maintain at all times a current and adequate reserve of planned public works the construction of which can rapidly be commenced, particularly when the national or local economic situation makes such action desirable, and (2) to help attain maximum economy and efficiency in the planning and construction of public works, the Secretary is hereby authorized to make advances to public agencies and Indian tribes (notwithstanding the provisions of section 3648 of the Revised Statutes, as amended) to aid in financing the cost of *feasibility studies*, engineering and architectural surveys, designs, plans, working drawings, specifications, or other action preliminary to and in preparation for the construction of public works, including, in the case of public works to be constructed in connection with the development of a medical center, a general plan for the development of such center: *Provided*, That the making of advances hereunder shall not in any way commit the Congress to appropriate funds to assist in financing the construction of any public works so planned: *And provided further*, That advances outstanding to public agencies and Indian tribes in any one State shall at no time exceed 12½ per centum of the aggregate then authorized to be appropriated to the revolving fund established pursuant to subsection (e) of this section.

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SECTION 604 OF THE HOUSING ACT OF 1957

EXCHANGE OF DATA

[SEC. 604. The Secretary of Housing and Urban Development shall exchange data relating to housing and urban planning and development with other nations where such exchange is deemed by him to be beneficial to the programs of the Department of Housing and Urban Development.]

SEC. 604. (a) The Secretary of Housing and Urban Development may exchange data relating to housing and urban planning and development with other nations and assemble such data from other nations, through participation in international conferences and other means, where such exchange or assembly is deemed by him to be beneficial in carrying out his responsiblities under the Department of Housing and Urban Development Act or other legislation. In carrying out his responsibilities under this subsection the Secretary may—

(1) pay the expenses of participation in activities conducted under authority of this section including, but not limited to, the compensation, travel expenses, and per diem in lieu of subsistence of persons serving in an advisory capacity while away from their homes or regular places of business in connection with attendance at international meetings and conferences, or other travel for the purpose of exchange or assembly of data relating to housing and urban planning and development; but such travel expenses shall not exceed those authorized for regular officers and employees traveling in connection with said activities; and

(2) accept from international organizations, foreign countries, and private nonprofit foundations, funds, services, facilities, materials, and other donations to be utilized jointly in carrying out activities under this section.

(b) International programs and activities carried out by the Secretary under the authority provided in subsection (a) shall be subject to the approval of the Secretary of State for the purpose of assuring that such authority shall be exercised in a manner consistent with the foreign policy of the United States.

HOUSING ACT OF 1959

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TITLE II—HOUSING FOR THE ELDERLY OR HANDICAPPED

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LOAN PROGRAM

SEC. 202. (a)(1) The purpose of this section is to assist private nonprofit corporations, *limited profits sponsors*, consumer cooperatives, or public bodies or agencies to provide housing and related facilities for elderly or handicapped families.

(2) In order to carry out the purpose of this section the Secretary may make loans to any corporation (as defined in subsection (d)(2)), *to any limited profit sponsor approved by the Secretary*, to any consumer cooperative, or to any public body or agency for the provision of rental or cooperative housing and related facilities for elderly or handicapped families, except that (A) no such loan shall be made unless the applicant shows that it is unable to secure the necessary funds from other sources upon terms and conditions equally as favorable as the terms and conditions applicable to loans under this section, (B) no such loan shall be made unless the Secretary finds that the construction will be undertaken in an economical manner and that it will not be of elaborate or extravagant design or materials, and (C) no such loan shall be made to a public body or agency unless it certifies that it is not receiving financial assistance from the United States exclusively pursuant to the United States Housing Act of 1937.

(3) A loan under this section may be in an amount not exceeding the total development cost (as defined in subsection (d)(3) as determined by the Secretary, *except that in the case of other than a corporation consumer cooperative, or public body or agency the amount of the loan shall not exceed 90 per centum of the development cost;* shall be secured in such a manner and be repaid within such period, not exceeding fifty years, as may be determined by him; and shall bear interest at a rate determined by him which shall be not more than the lower of (A) 3 per centum per annum, or (B) the total of one-quarter of 1 per centum added to the average annual interest rate on all interest-bearing obligations of the United States then forming a part of the public debt as computed at the end of the fiscal year next preceding the date on which the loan is made and adjusted to the nearest one-eighth of 1 per centum.

(4) There is authorized to be appropriated not to exceed $500,000,000 which shall consitute a revolving fund to be used by the Secretary in carrying out this section.

(b) In the performance of, and with respect to, the functions, powers, and duties vested in him by this section the Secretary shall (in addition to any authority otherwise vested in him) have the functions, powers, and duties set forth in section 402 (except subsection (c)(2)) of the Housing Act of 1950.

(c)(1) Housing constructed with a loan made under this section shall not be used for transient or hotel purposes while such loan is outstanding.

(2) As used in paragraph (1), the term "transient or hotel purposes" shall have such meaning as may be prescribed by the Secretary, but rental for any period less than thirty days shall in any event constitute use for such purposes. The provisions of subsections (f) through (j) of section 513 of the National Housing Act (as added by section 132 of the Housing Act of 1954) shall apply in the case of violations of paragraph (l) as though the housing described in such subsection were multifamily housing (as defined in section 513(e)(2) of the National Housing Act) with respect to which a mortgage is insured under such Act.

(3) The Secretary shall take such action as may be necessary to insure that all laborers and mechanics employed by contractors and subcontractors in the construction of housing assisted under this section shall be paid wages at rates not less than those prevailing in the locality involved for the corresponding classes of laborers and mechanics employed on construction of a similar character, as determined by the Secretary of Labor in accordance with the Act of March 3, 1931, as amended (the Davis-Bacon Act); but the Secretary may waive the application of this paragraph in cases or classes of cases where laborers or mechanics, not otherwise employed at any time in the construction of such housing, voluntarily donate their services without [full] compensation for the purposes of lowering the costs of construction and the Secretary determines that any amounts saved thereby are fully credited to the corporation, cooperative, or public body or agency undertaking the construction.

(d) As used in this section—

(1) The term "housing" means structures suitable for dwelling use by elderly or handicapped families which are (A) new structures, or (B) provided by rehabilitation, alteration, conversion, or improvement of existing structures which are otherwise inadequate for proposed dwelling use by such families.

(2) The term "corporation" means any incorporated private institution or foundation no part of the net earnings of which inures to the benefit of any private shareholder, contributor, or individual, if such institution or foundation is approved by the Secretary as to financial responsibility.

(3) The term "development cost" means costs of construction of housing and of other related facilities, and of the land on which it is located, including necessary site improvement.

(4) The term "elderly or handicapped families" means families which consist of two or more persons and the head of which (or his spouse) is sixty-two years of age or over or is handicapped, and such term also means a single person who is sixty-two years of age or over or is handicapped. A person shall be considered handicapped if such person is determined, pursuant to regulations issued by the Secretary, to have a physical impairment which (A) is expected to be of long-continued and indefinite duration, (B) substantially impedes his ability to live independently, and (C) is of such a nature that such ability could be improved by more suitable housing conditions. The Secretary shall prescribe such regulations as may be necessary to prevent abuses in determining, under the definitions contained in this paragraph, the eligibility of families and persons for admission to and occupancy of housing constructed with assistance under this section.

(5) The term "State" includes the several States, the District of Columbia, the Commonwealth of Puerto Rico, and the possessions of the United States.

(6) The term "Secretary" means the Secretary of Housing and Urban Development.

(7) The term "construction" means erection of new structures or rehabilitation, alteration, conversion, or improvement of existing structures.

(8) The term "related facilities" means (A) new structures suitable for use by elderly or handicapped families as cafeterias or dining halls, community rooms or buildings, workshops, or infirmaries or other inpatient or outpatient health facilities, or other essential service facilities, and (B) structures suitable for the above uses provided by rehabilitation, alteration, conversion, or improvement of existing structures which are otherwise inadequate for such uses.

(e) Nothing in this section or in regulations promulgated under this section shall prevent a corporation or consumer cooperative from obtaining a loan under this section for the provision of housing and related facilities for elderly or handicapped families, notwithstanding the fact that such corporation or cooperative has theretofore obtained a commitment from the Federal Housing Administration for mortgage insurance under section 231 of the National Housing Act with respect to the housing involved, if (1) such corporation or cooperative is otherwise eligible for such loan under this section, (2) such commitment was obtained prior to the date of enactment of the Housing Act of 1961, and (3) the Secretary determines that the financing of such housing through a loan under this section rather than through mortgage insurance under such section 231 is necessary or desirable in order to avoid hardship for the elderly or handicapped families who are the prospective tenants of such housing.

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SEC. 306. (a) * * *

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(b) In connection with the sale of any mortgages to the [Federal] *Government* National Mortgage Association pursuant to section 306(e) of the Federal National Mortgage Association Charter Act, the Housing and Home Finance Administrator is authorized, and any other official, unit, or agency selling such mortgages thereunder is directed, to transfer to the Association from time to time, from authorizations, limitations, and funds available for administrative expenses of such official, unit, or agency in connection with the same mortgages, such amounts thereof as said Administrator determines to be required for administrative expenses of the Association in connection with the purchase, servicing, and sale of such mortgages: *Provided*, That no such transfer shall be made after a budget estimate of the Association with respect to the same mortgages has been submitted to and finally acted upon by the Congress.

HOUSING ACT OF 1961

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DEMONSTRATION PROGRAMS

SEC. 207. The Secretary of Housing and Urban Development is authorized to enter into contracts to make grants, not exceeding $15,000,000, to public or private bodies or agencies, subject to such terms and conditions as he shall prescribe, for the purposes of developing and demonstrating new or improved means, *including the study of self-help in the construction, rehabilitation, and maintenance of housing for low-income persons and families and the methods of selecting, involving, and directing such persons and families in self-help activities*, of providing housing for low income persons and families, and of demonstrating the types of housing and the means of providing housing that will assist low income persons or families who qualify as handicapped families as defined in section 202 of the Housing Act of 1959. Advances and progress payments may be made, under any contract to make grants under this section, without regard to the provisions of section 3648 of the Revised Statutes.

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TITLE VII—OPEN SPACE LAND, URBAN BEAUTIFICATION, AND HISTORIC PRESERVATION

FINDINGS AND PURPOSE

SEC. 701. (a) * * *

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GRANTS FOR PRESERVATION AND DEVELOPMENT OF OPEN-SPACE LAND

SEC. 702. (a) In order to encourage and assist in the timely acquisition and development of land to be used as permanent open-space land, as defined herein, the Secretary of Housing and Urban Development (hereinafter referred to as the "Secretary") is authorized to enter into contracts to make grants to States and local public bodies to help finance the acquisition of title to, or other permanent interests in, such land, and the development, for open-space uses, of land acquired under this title. The amount of any such grant shall not exceed 50 per centum of the total cost, as approved by the Secretary, of such acquisition and development. The faith of the United States is pledged to the payment of all grants contracted for under this title.

[(b) The Secretary may enter into contracts to make grants under this title aggregating not to exceed $310,000,000: *Provided,* That of such sum the Secretary may contract to make grants under section 705 aggregating not to exceed $64,000,000, and grants under section 706 aggregating not to exceed $36,000,000. There are hereby authorized to be appropriated, out of any moneys in the Treasury not otherwise appropriated, the amounts necessary to provide for the payment of such grants as well as to carry out all other purposes of this title. All funds so appropriated shall remain available until expended.]

(b) There are authorized to be appropriated, for the purpose of making grants under this title, not to exceed $310,000,000 prior to July 1, 1969,

and not to exceed $460,000,000 prior to July 1, 1970, Any amounts appropriated under this section shall remain available until expended.

* * * * * * *

TECHNICAL ASSISTANCE, STUDIES, AND PUBLICATION OF INFORMATION

SEC. 708. (a) In order to carry out the purpose of this title the Secretary is authorized to provide technical assistance to State and local public bodies and to undertake such studies and publish such information, either directly or by contract, as he shall determine to be desirable.

(b) The Secretary is authorized to use during any fiscal year not to exceed [$50,000] *$125,000* of the funds available for grants under this title to undertake such studies and publish such information. Nothing contained in this section shall limit any authority of the Secretary under any other provision of law.

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HOUSING ACT OF 1964

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TITLE III—URBAN RENEWAL

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REHABILITATION LOANS

SEC. 312. (a) [To assist rehabilitation in an urban renewal area or an area in which a program of concentrated code enforcement activities is being carried out pursuant to section 117 of the Housing Act of 1949 and thereby reduce the need for demolition and removal of structures, the Secretary of Housing and Urban Development is hereby authorized, through the utilization of local public and private agencies where feasible, to make loans as herein provided to the owners or tenants of property in such area to finance rehabilitation required to make the property conform to applicable code requirements or to carry out the objectives of the urban renewal plan for the area. No loan shall be made under this section unless the Secretary finds (1) that the applicant is unable to secure the necessary funds from other sources upon comparable terms and conditions, and (2) the loan is an acceptable risk taking into consideration the need for the rehabilitation, the security available for the loan, and the ability of the applicant to repay the loan.] *The Secretary is authorized, through the utilization of local public and private agencies where feasible, to make loans as herein provided to the owners and tenants of property to finance the rehabilitation of such property. No loan shall be made under this section unless—*

(1)(A) the property is situated in an urban renewal area or an area in which a program of concentrated code enforcement activity is being carried out pursuant to section 117 of the Housing Act of 1949, and the rehabilitation is required to make the property conform to applicable code requirements or to carry out the objectives of the urban renewal plan for the area and, in addition, to generally improve the condition of the property; or

(B)(i) the property is in an area (other than an area described in subparagraph (A)) which the governing body of the locality has determined, and so certifies to the Secretary, contains a substantial number of structures in need of rehabilitation and (ii) the property is residential, owner-occupied, and in need of substantial rehabilitation; or

(C) (i) the property has been determined to be uninsurable because of physical hazards after an inspection pursuant to a statewide property insurance plan approved by the Secretary under title XII of the National Housing Act, (ii) the loan is made to the owner or tenant of the property to finance rehabilitation which the Secretary determines to be necessary to make the property meet reasonable underwriting standards, and (iii) the property is located in an area which the Secretary determines is sufficiently stable and contains sufficient public facilities and amenities to support long-term values, or is one in which public or private actions are being carried out, or are proposed to be carried out, of such scope and quality as to give reasonable promise that a stable environment will be created;

(2) the applicant is unable to secure the necessary funds from other sources upon comparable terms and conditions; and

(3) the loan is an acceptable risk taking into consideration the need for the rehabilitation, the security available for the loan, and the ability of the applicant to repay the loan.

(b) For the purposes of this section—

(1) the term "rehabilitation" means the improvement or repair of a structure or facilities in connection with a structure, and may include the provision of such sanitary or other facilities as are required by applicable codes [or], the urban renewal plan, *or a Statewide property insurance plan* to be provided by the owner or tenant of the property;

(2) the term "urban renewal area" means a slum area or a blighted, deteriorated, or deteriorating area as defined in section 110(a) of the Housing Act of 1949;

(3) the term "tenant" means a person or organization who is occupying a structure under a lease having a period to run at the time a rehabilitation loan is made under this section of not less than the term of the loan; and

(4) the term "Secretary" means the Secretary of Housing and Urban Development.

* * * * * * *

(d) There is authorized to be appropriated [not to exceed $100,000,000] for each fiscal year *such amounts as may be necessary* which shall constitute a revolving fund to be used by the Secretary in carrying out this section. All moneys in such revolving fund shall be available for necessary expenses of servicing loans made pursuant to this section, including reimbursement or payment for services and facilities of the [Federal] *Government* National Mortgage Association and of any public or private agency for the servicing of such loans.

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(h) No loan shall be made under the authority of this section after [October 1, 1969] *June 30, 1973*, except pursuant to a contract, commitment, or other obligation entered into pursuant to this section before that date.

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TITLE VIII—TRAINING AND FELLOWSHIP PROGRAMS

Part 1—Federal-State Training Programs

FINDINGS AND PURPOSE

Sec. 801. (a) The Congress finds that the rapid expansion of the Nation's urban areas and urban population has caused severe problems in urban and suburban development and created a national need to (1) provide special training in skills needed for economic and efficient community development and (2) support research in new or improved methods of dealing with community development problems.

(b) It is the purpose of this part to assist and encourage the States, in cooperation with public or private universities and colleges and urban centers, *and with business firms and associations, labor unions,*

and other interests associations and organizations, to (1) organize, initiate, develop, and expand programs which will provide special training in skills needed for economic and efficient community development to those [technical and professional people] *technical, professional, and other persons wi h the capacity to master and employ such skills* who are, or are training to be, employed by a governmental or public body which has responsibility for community development, *or by a private nonprofit organization which is conducting or has responsibility for housing and community development programs*; and (2) support State and local research that is needed in connection with housing programs and needs, public improvement programing, code problems, efficient land use, urban transportation, and similar community development problems.

MATCHING GRANTS TO STATES

SEC. 802. (a) Subject to the provisions of this part and in accordance with regulations prescribed by him, the Secretary may make matching grants to States to assist in—

(1) organizing, initiating, developing, or expanding programs to provide special training in skills needed for economic and efficient community development to those [technical and professional people] *technical, professional, and other persons with the capacity to master and employ such skills* who are, or are training to be, employed by a governmental or public body which has responsibilities for community development, *or by a private nonprofit organization which is conducting or has responsibilty for housing and community development programs*; and

(2) supporting State and local research that is needed in connection with housing programs and needs, public improvement programing, code problems, efficient land use, urban transportation, and similar community development problems, and collecting, collating, and publishing statistics and information relating to such research.

* * * * * * *

MISCELLANEOUS

SEC. 805. (a) As used in this part, the term "State" means any State of the United States, the District of Columbia, the Commonwealth of Puerto Rico, *Guam, American Samoa, the Trust Territory of the Pacific Islands*, and the Virgin Islands; and the term "Secretary" means the Secretary of Housing and Urban Development.

HOUSING AND URBAN DEVELOPMENT ACT OF 1965

TITLE I—SPECIAL PROVISIONS FOR DISADVANTAGED PERSONS

FINANCIAL ASSISTANCE TO ENABLE CERTAIN PRIVATE HOUSING TO BE AVAILABLE FOR LOWER INCOME FAMILIES WHO ARE ELDERLY, HANDICAPPED, DISPLACED, VICTIMS OF A NATURAL DISASTER, OR OCCUPANTS OF SUBSTANDARD HOUSING

SEC. 101. (a) The Secretary of Housing and Urban Development (hereinafter referred to as the "Secretary") is authorized to make, and contract to make, annual payments to a "housing owner" on behalf of "qualified tenants", as those terms are defined herein, in such amounts and under such circumstances as are prescribed in or pursuant to this section. In no case shall a contract provide for such payments with respect to any housing for a period exceeding forty years. The aggregate amount of the contracts to make such payments shall not exceed amounts approved in appropriations Acts and payments pursuant to such contracts shall not exceed [$30,000,000 per annum prior to July 1 1966, which maximum dollar amount shall be increased by $35,000,000 on July 1, 1966, by $40,000,000 on July 1, 1967, and by $45,000,000 on July 1, 1968.] *$150,000,000 per annum prior to July 1, 1969, which maximum dollar amount shall be increased by $40,000,000 on July 1, 1969, and by $100,000,000 on July 1, 1970.*

(b) As used in this section, the term "housing owner" means a private nonprofit corporation or other private nonprofit legal entity, a limited dividend corporation or other limited dividend legal entity, or a cooperative housing corporation, which is a mortgagor under section 221(d)(3) of the National Housing Act and which, after the enactment of this section, has been approved for mortgage insurance thereunder and has been approved for receiving the benefits of this section: *Provided*, That, except as provided in subsection (j), no payments under this section may be made with respect to any property financed with a mortgage receiving the benefits of the interest rate provided for in the proviso in section 221(d)(5) of that Act. *Such term also includes a private nonprofit corporation or other private nonprofit legal entity, a limited dividend corporation or other limited dividend legal entity, or a cooperative housing corporation, which is the owner of a rental or cooperative housing project financed under a State or local program providing assistance through loans, loan insurance, or tax abatement and which prior to completion of construction or rehabilitation is approved for receiving the benefits of this section.* Subject to the limitations provided in subsection (j), the term "housing owner" also has the meaning prescribed in such subsection.

* * * * * * *

(d) The amount of the annual payment with respect to any dwelling unit shall not exceed the amount by which the fair market rental for such unit exceeds [one-fourth] *one-fifth* of the tenant's income as determined by the Secretary pursuant to procedures and regulations established by him.

* * * * * * *

(g) The Secretary is authorized to make such rules and regulations, to enter into such agreements, and to adopt such procedures as he may deem necessary or desirable to carry out the provisions of this section. Nothing contained in this section shall affect the authority of the Secretary of Housing and Urban Development with respect to any housing assisted under this section, section 221(d)(3), [or section 231(c)(3)], *section 231(c)(3), or section 236* of the National Housing Act, or section 202 of the Housing Act of 1959, including the authority to prescribe occupancy requirements under other provisions of law or to determine the portion of any such housing which may be occupied by qualified tenants.

* * * * * * *

(j)(1) For the purpose of assisting housing under this section on an experimental basis, subject to the limitations of this subsection, the term "housing owner" (in addition to the meaning prescribed in subsection (b)) includes—

(A) a private nonprofit corporation or other private nonprofit legal entity, a limited dividend corporation or other limited dividend legal entity, or a cooperative housing corporation, which is a mortgagor under a mortgage which receives the benefits of the interest rate provided for in the proviso in section 221(d)(5) of the National Housing Act and which, after the date of the enactment of this Act has been approved for mortgage insurance under section 221(d)(3) of the National Housing Act and has been approved for receiving the benefits of this section;

(B) a private nonprofit corporation or other private nonprofit legal entity which is a mortgagor under a mortgage insured under section 231(c)(3) of the National Housing Act and which, after the date of the enactment of this Act, has obtained final endorsement of such mortgage for mortgage insurance and has been approved for receiving the benefits of this section; [and]

(C) a private nonprofit corporation, a public body or agency, or a cooperative housing corporation, which is a borrower under section 202 of the Housing Act of 1959 and has been approved for receiving the benefits of this section: *Provided,* That, with respect to properties financed with loans under such section made on or before the date of the enactment of this Act, payments shall not be made with respect to more than 20 per centum of the dwelling units in any property so financed[.]*; and*

(D) a private nonprofit corporation or other private nonprofit legal entity, a limited dividend corporation or other limited dividend legal entity, or a cooperative housing corporation, which is a mortgagor under a mortgage insured under section 236(j) of the National Housing Act which has been approved for receiving the benefits of this section: Provided, That payments shall not be made with respect to more than 20 per centum of the dwelling units in any property so financed.

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TITLE VII—COMMUNITY FACILITIES

PURPOSE

[SEC. 701. The purpose of this title is to assist and encourage the communities of the Nation fully to meet the needs of their citizens by

making it possible, with Federal grant assistance, for their governmental bodies (1) to construct adequate basic water and sewer facilities needed to promote the efficient and orderly growth and development of our communities, (2) to construct neighborhood facilities needed to enable them to carry on programs of necessary social services, and (3) to acquire, in a planned and orderly fashion, land to be utilized [in connection with the future construction of public works and facilities] *in the future for public purposes.*

GRANTS FOR BASIC WATER AND SEWER FACILITIES

SEC. 702. (a) * * *

(b) The amount of any grant made under the authority of this section shall not exceed 50 per centum of the development cost of the project: *Provided,* That in the case of a community, *or an unincorporated area served by a water district or improvement district,* having a population of less than ten thousand, according to the most recent decennial census, which is situated within a metropolitan area, the Secretary may increase the amount of a grant for a basic public *water or* sewer facility assisted under this section to not more than 90 per centum of the development cost of such facility, if the community *or area* is unable to finance the construction of such facility without the increased grant authorized under this subsection, and if in such community *or area* (1) there does not exist a public or other adequate sewer facility which serves a substantial portion of the inhabitants of the community *or area,* and (2) the rate of unemployment is, and has been continuously for the preceding calendar year, 100 per centum above the national average: *And provided further,* That the limitations and restrictions contained in subsection (c) of this section shall not be applicable to any community *or area* applying for an increased grant under this subsection.

(c) No grant shall be made under this section in connection with any project unless the Secretary determines that the project is necessary to provide adequate water or sewer facilities for, and will contribute to the improvement of the health or living standards of, the people in the community to be served, and that the project is (1) designed so that an adequate capacity will be available to serve the reasonably foreseeable growth needs of the area; (2) consistent with a program meeting criteria, established by the Secretary, for a unified or officially coordinated areawide water or sewer facilities system as part of the comprehensively planned development of the area, except that prior to [July 1, 1968,] *October 1, 1969,* grants may, in the discretion of the Secretary, be made under this section when such a program for an areawide water and sewer facilities system is under active preparation, although not yet completed, if the facility or facilities for which assistance is sought can reasonably be expected to be required as a part of such program, and there is urgent need for the facility or facilities; and (3) necessary to orderly community development.

(d) In the administration of this section the Secretary shall require that, to the greatest extent practicable, new job opportunities be provided for unemployed or underemployed persons in connection with projects the financing of which is assisted under this section.

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[ADVANCE ACQUISITION OF LAND

[SEC. 704. (a) In order to encourage and assist in the timely acquisition of land planned to be utilized in connection with the future construction of public works or facilities, the Secretary is authorized to make grants to local public bodies and agencies to assist in financing the acquisition of a fee simple estate or other interest in such land.

[(b) The amount of any grant made under the authority of this section shall not exceed the aggregate amount of reasonable interest charges on the loan or other financial obligation incurred to finance the acquisition of such land for a period not exceeding the lesser of (1) five years from the date such loan was made or such financial obligation was incurred, or (2) the period of time between the date such loan was made or such financial obligation was incurred and the date construction is begun on the public work or facility for which the land acquired was planned to be utilized.

[(c) No grant shall be made under this section for any project for the acquisition of land unless the Secretary determines that the public work or facility for which such land is to be utilized is planned to be constructed or initiated within a reasonable period of time (not to exceed five years after a contract to make such grant is entered into) and that construction of such public work or facility will contribute to economy, efficiency, and the comprehensively planned development of the area.

[(d) As a condition to providing assistance under this section, the Secretary may, under terms and conditions prescribed by him, require an applicant to agree to repay such assistance, if (1) the land purchased with such assistance is not utilized within five years after the agreement is entered into in connection with the construction of the public work or facility for which such land was acquired, or (2) such land is diverted to other uses.]

ADVANCE ACQUISITION OF LAND

SEC. 704. (a) In order to encourage and assist the timely acquisition of land planned to be utilized in the future for public purposes, the Secretary is authorized to make grants to States and local public bodies and agencies to assist in financing the acquisition of a fee simple estate or other interest in such land.

(b) The amount of any grant made under this section shall not exceed the aggregate amount of reasonable interest charges on the loans or other financial obligations incurred to finance the acquisition of such land for a period not in excess of the lesser of (1) five years from the date of acquisition of such land or (2) the period of time between the date on which the land was acquired and the date its use began for the purpose for which it was acquired: Provided, That where all or any portion of the cost of such land is not financed through borrowings, the amount of the grant shall be computed on the basis of the aggregate amount of reasonable interest charges that the Secretary determines would have been required.

(c) No grant shall be made under this section unless the Secretary determines that the land will be utilized for a public purpose within a reasonable period of time and that such utilization will contribute to economy, efficiency, and the comprehensively planned development of the area. The Secretary shall in all cases require that land acquired with the assistance of a grant under this section be utilized for a public purpose

within five years after the date on which a contract to make such grant is entered into, unless the Secretary (1) determines that due to unusual circumstances a longer period of time is necessary and in the public interest, and (2) reports such determination promptly to the Committees on Banking and Currency of the Senate and House of Representatives.

(d) No land acquired with assistance under this section shall, without approval of the Secretary, be diverted from the purpose originally approved. The Secretary shall approve no such diversion unless he finds that the diversion is in accord with the then applicable comprehensive plan for the area. In cases of a diversion of land to other than a public purpose, the Secretary may require repayment of the grant, or substitution of land of approximately equal fair market value, whichever he deems appropriate. An interim use of the land for a public or private purpose in accordance with standards prescribed by the Secretary, or approved by him, shall not constitute a diversion within the meaning of this subsection.

(e) Nowithstanding any other provision of law, no project for which land is acquired with assistance under this section shall, solely as a result of such advance acquisition, be considered ineligible for the purpose of any other Federal loan or grant program, and the amount of the purchase price paid for the land by the recipient of a grant under this section may be considered an eligible cost for the purpose of such other Federal loan or grant program.

* * * * * * *

APPROPRIATIONS

SEC. 708. (a) There are authorized to be appropriated for each fiscal year commencing after June 30, 1965, and ending prior to July 1, 1969, not to exceed (1) $200,000,000 *(or $500,000,000 in the case of any such fiscal year commencing after June 30, 1967)* for grants under section 702, (2) $50,000,000 for grants under section 703, and (3) $25,000,000 for grants under section 704.

(b) Any amounts appropriated under this section shall remain available until expended, and any amounts authorized for any fiscal year under this section but not appropriated may be appropriated for any succeeding fiscal year commencing prior to July 1, [1969] *1970.*

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DEMONSTRATION CITIES AND METROPOLITAN DEVELOPMENT ACT OF 1966

TITLE I—COMPREHENSIVE CITY DEMONSTRATION PROGRAMS

* * * * * * *

APPROPRIATIONS

SEC. 111. (a) There are authorized to be appropriated, for the purpose of financial assistance and administrative expenses under sections 104 and 106, not to exceed $12,000,000 for the fiscal year ending June 30, 1967, [and] not to exceed $12,000,000 for the fiscal year ending June 30, 1968, *and not to exceed $12,000,000 for the fiscal year ending June 30, 1969.*

(b) There are authorized to be appropriated, for the purpose of financial assistance and administrative expenses under sections 105, 106, and 107, not to exceed $400,000,000 for the fiscal year ending June 30, 1968, [and] not to exceed $500,000,000 for the fiscal year ending June 30, 1969, *and not to exceed $1,000,000,000 for the fiscal year ending June 30, 1970.*

[(c) Appropriations authorized under this section shall remain available until expended.]

(c) Any amounts appropriated under this section shall remain available until expended, and any amounts authorized for any fiscal year under this section but not appropriated may be appropriated for any succeeding fiscal year commencing prior to July 1, 1970.

* * * * * * *

TITLE II—PLANNED [METROPOLITAN] *AREAWIDE* DEVELOPMENT

FINDINGS AND DECLARATION OF PURPOSE

SEC. 201. (a) The Congress hereby finds that the welfare of the Nation and of its people is directly dependent upon the sound and orderly development and the effective organization and functioning of [the metropolitan areas in which two-thirds of its people live and work.] *our State and local governments.*

[It further finds that the continuing rapid growth of these areas makes it essential that they prepare, keep current, and carry out comprehensive plans and programs for their orderly physical development with a view to meeting efficiently all their economic and social needs.]

It further finds that it is essential that our State and local governments prepare, keep current, and carry out comprehensive plans and programs for their orderly physical development with a view to meeting efficiently all their economic and social needs.

It further finds that *our State and local governments* are especially handicapped in this task by the complexity and scope of governmental services required [in such rapidly growing areas], the multiplicity of political jurisdictions and agencies involved, and the inadequacy of the operational and administrative arrangements available for cooperation among them.

It further finds that present requirements for areawide planning and programing in connection with various Federal programs have materially assisted in the solution of [metropolitan] *areawide* problems, but that greater coordination of Federal programs and additional participation and cooperation are needed from the States and localities in perfecting and carrying out such efforts.

(b) It is the purpose of this title to provide through greater coordination of Federal programs, and through supplementary grants for certain federally assisted development projects, additional encouragement and assistance to States and localities for making comprehensive [metropolitan] *areawide* planning and programing effective.

COOPERATION BETWEEN FEDERAL AGENCIES

SEC. 202. In order to insure that all Federal programs related to [metropolitan] *areawide* development are carried out in a coordinated manner—

(1) the Secretary is authorized to call upon other Federal agencies to supply such statistical data, program reports, and other materials as he deems necessary to discharge his responsibilities for [metropolitan] *areawide* development, and to assist the President in coordinating the [metropolitan] *areawide* development efforts of all Federal agencies; and

(2) all Federal agencies which are engaged in administering programs related to [metropolitan] *areawide* development, or which otherwise perform functions relating thereto, shall, to the maximum extent practicable, consult with and seek advice from all other significantly affected Federal departments and agencies in an effort to assure fully coordinated programs.

* * * * * * *

GRANTS TO ASSIST IN PLANNED METROPOLITAN DEVELOPMENT

SEC. 205. (a) The Secretary is authorized to make supplementary grants to applicant State and local public bodies and agencies carrying out, or assisting in carrying out, [metropolitan] *areawide* development projects meeting the requirements of this section.

(b) Grants may be made under this section only for [metropolitan] *areawide* development projects in [metropolitan] areas for which it has been demonstrated, to the satisfaction of the Secretary, that—

(1) [metropolitanwide] *areawide* comprehensive planning and programing provide an adequate basis for evaluating (A) the location, financing, and scheduling of individual public facility projects (including but not limited to hospitals and libraries; sewer, water, and sewage treatment facilities; highway, mass transit, airport, and other transportation facilities; and recreation and other open-space areas) whether or not federally assisted; and (B) other proposed land development or uses, which projects or uses, because of their size, density, type, or location, have public [metropolitanwide] *areawide* or interjurisdictional significance;

(2) adequate [metropolitanwide] *areawide* institutional or other arrangements exist for coordinating, on the basis of such [metropolitanwide] *areawide* comprehensive planning and pro-

graming, local public policies and activities affecting the development of the area; and

(3) public facility projects and other land development or uses which have a major impact on the development of the area are, in fact, being carried out in accord with such [metropolitanwide] *areawide* comprehensive planning and programing.

(c)(1) Where the applicant for a grant under this section is a unit of general local government, it must demonstrate to the satisfaction of the Secretary that, taking into consideration the scope of its authority and responsibilities, it is adequately assuring that public facility projects and other land development or uses of public [metropolitan] *areawide or* interjurisdictional significance are being, and will be, carried out in accord with [metropolitan] *areawide* planning and programing meeting the requirements of subsection (b). In making this determination the Secretary shall give special consideration to whether the applicant is effectively assisting in, and conforming to, [metropolitan] *areawide* planning and programing through (A) the location and scheduling of public facility projects, whether or not federally assisted; and (B) *where appropriate*, the establishment and consistent administration of zoning codes, subdivision regulations, and similar land-use and density controls.

(2) Where the applicant for a grant under this section is not a unit of general local government, both it and the unit of general local government having jurisdiction over the location of the project must meet the requirements of this subsection.

(d) In making the determinations required under this section, the Secretary shall obtain, and give full consideration to, the comments of the body or bodies (State or local) responsible for comprehensive planning and programing for the [metropolitan] area.

(e) No grant shall be made under this section with respect to a [metropolitan] *areawide* development project for which a Federal grant has been made, or a contract of assistance has been entered into, under the legislation referred to in paragraph (2) of section 208, prior to February 21, 1966, or more than one year prior to the date on which the Secretary has made the determinations required under this section with respect to the applicant and to the area in which the project is located: *Provided*, That in the case of a project for which a contract of assistance under the legislation referred to in paragraph (2) of section 208 has been entered into after June 30, 1967, no grant shall be made under this section unless an application for such grant has been made on or before the date of such contract.

(f) Nothing in this section shall authorize the Secretary to require (or condition the availability or amount of financial assistance authorized to be provided under this title upon) the adoption by any community of a program to achieve a racial balance or to eliminate racial imbalance within school districts [within the metropolitanwide area].

EXTENT OF GRANT

SEC. 206. (a) A grant under section 205 shall not exceed (1) 20 per centum of the cost of the project for which the grant is made; nor (2) the Federal grant made with respect to the project under the legislation referred to in paragraph (2) of section 208. In no case shall

the total Federal contributions to the cost of such project be more than 80 per centum. Notwithstanding any other provision of law, including requirements with respect to non-Federal contributions, grants under section 205 shall be eligible for inclusion (directly or through refunds or credits) as part of the financing for such projects: *Provided*, That projects or activities on the basis of which assistance is provided under section 105(c) shall not be eligible for assistance under section 205.

(b) There are authorized to be appropriated for grants under section 205 not to exceed $25,000,000 for the fiscal year ending June 30, 1967, and not to exceed $50,000,000 for the fiscal year ending June 30, 1968. [Appropriations authorized under this section shall remain available until expended.] *Any amounts appropriated under this section shall remain available until expended, and any amounts authorized for any fiscal year under this section but not appropriated may be appropriated for any succeeding fiscal year commencing prior to July 1, 1970.*

* * * * * * *

DEFINITIONS

SEC. 208. As used in this title—

(1) "[Metropolitan] *Areawide* development" means all projects or programs for the acquisition, use, and development of open-space land; and the planning and construction of hospitals, libraries, airports, water supply and distribution facilities, sewerage facilities and waste treatment works, transportation facilities, highways, water development and land conservation, and other public works facilities.

(2) "[Metropolitan] *Areawide* development project" means a project assisted or to be assisted under section 702 of the Housing and Urban Development Act of 1965; title II of the Library Services and Construction Act; section 606 of the Public Health Service Act; section 8 of the Federal Water Pollution Control Act; section 120(a) of title 23, United States Code; section 12 of the Federal Airport Act; section 3 of the Urban Mass Transportation Act of 1964; title VII of the Housing Act of 1961; or section 5(e) of the Land and Water Conservation Fund Act of 1965; or under section 101(a)(1) of the Public Works and Economic Development Act of 1965 (for a project of a type which the Secretary determines to be eligible for assistance under any of the other provisions listed above).

(3) "State" means any State of the United States, the District of Columbia, the Commonwealth of Puerto Rico, any territory or possession of the United States, or any agency or instrumentality of any of the foregoing.

(4) "Metropolitan area" means a standard metropolitan statistical area as established by the Bureau of the Budget, subject however to such modifications and extensions as the Secretary may determine to be appropriate for the purposes of this title.

(5) "Comprehensive planning" includes the following, to the extent directly related to area needs or needs of a unit of general local government: (A) preparation, as a guide for long-range development, of general physical plans with respect to the pattern and intensity of land use and the provision of public facilities, including transportation facili-

ties; (B) programing of capital improvements based on a determination of relative urgency; (C) long-range fiscal plans for implementing such plans and programs; and (D) proposed regulatory and administrative measures which aid in achieving coordination of all related plans of the departments or subdivisions of the governments concerned and intergovernmental coordination of related planned activities among the State and local governmental agencies concerned.

(6) "Hospital" means any public health center or general, tuberculosis, mental, chronic disease, or other type of hospital and related facilities, such as laboratories, outpatient departments, nurses' home and training facilities, and central service facilities normally operated in connection with hospitals, but does not include any hospital furnishing primarily domiciliary care.

(7) "Areawide agency" means an official State [or metropolitan or regional], *metropolitan, regional, or district* agency empowered under State or local laws or under an interstate compact or agreement to perform comprehensive planning in an area; an organization of the type referred to in section 701(g) of the Housing Act of 1954; or such other agency or instrumentality as may be designated by the Governor (or, in the case of [metropolitan] areas crossing State lines, any one or more of such agencies or instrumentalities as may be designated by the Governor of the States involved) to perform such planning.

(8) "Special purpose unit of local government" means any special district, public-purpose corporation, or other limited-purpose political subdivision of a State, but shall not include a school district.

(9) "Unit of general local government" means any city, county, town, parish, village, or other general-purpose political subdivision of a State.

(10) "Secretary" means the Secretary of Housing and Urban Development.

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TITLE IX—URBAN INFORMATION AND TECHNICAL ASSISTANCE SERVICES

* * * * * * *

APPROPRIATIONS

SEC. 906. There are authorized to be appropriated for the purpose of carrying out the provisions of this title not to exceed $2,500,000 for the fiscal year ending June 30, 1967, [and not to exceed $5,000,000 for the fiscal year ending June 30, 1968. Appropriations authorized under this section shall remain available until expended.] *not to exceed $5,000,000 for each of the fiscal years 1968 and 1969, and not to exceed $15,000,000 for fiscal year 1970. Any amounts appropriated under this section shall remain available until expended, and any amounts authorized for any fiscal year under this section but not appropriated may be appropriated for any succeeding fiscal year commencing prior to July 1, 1970.*

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APPLYING ADVANCES IN TECHNOLOGY TO HOUSING AND URBAN DEVELOPMENT

SEC. 1010. (a)

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(c) The Secretary is authorized to carry out the research and studies authorized by this section either directly or by contract with public or private bodies or agencies, or by working agreement with departments and agencies of the Federal Government, as he may determine to be desirable. Contracts may be made by the Secretary for research and studies authorized by this section for work to continue not more than [two] *three* years from the date of any such contract.

(d) There are authorized to be appropriated to carry out the provisions of this section not to exceed $5,000,000 for the fiscal year ending June 30, 1967, and not to exceed $10,000,000 for the fiscal year ending June 30, 1968, *which amounts shall be increased in subsequent fiscal years by such sums as may be necessary.* All funds so appropriated shall remain available until expended.

* * * * * * *

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT ACT

[Public Law 89–174, 79 Stat. 667, 42 U.S.C. 3531]

AN ACT To establish a Department of Housing and Urban Development, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Department of Housing and Urban Development Act".

* * * * * * *

UNDER SECRETARY AND OTHER OFFICERS AND OFFICES

SEC. 4. (a) There shall be in the Department an Under Secretary, [five] *six* Assistant Secretaries, and a General Counsel, who shall be appointed by the President by and with the advice and consent of the Senate, who shall receive compensation at the rate now or hereafter provided by law for under secretaries, assistant secretaries, and general counsels, respectively, of executive departments, and who shall perform such functions, powers, and duties as the Secretary shall prescribe from time to time. There shall be in the Department a Federal Housing Commissioner, who shall be one of the Assistant Secretaries, who shall head a Federal Housing Administration within the Department, who shall have such duties and powers as may be prescribed by the Secretary, and who shall administer, under the supervision and direction of the Secretary, departmental programs relating to the private mortgage market.

* * * * * * *

TRANSFERS TO DEPARTMENT

SEC. 5. (a) Except as otherwise provided in subsection (b) of this section, there are hereby transferred to and vested in the Secretary all of the functions, powers, and duties of the Housing and Home Finance Agency, of the Federal Housing Administration and the Public Housing Administration in that Agency, and of the heads and other officers and offices of said agencies.

(b) The [Federal] *Government* National Mortgage Association, together with its functions, powers, and duties, is hereby transferred to the Department. The next to the last sentence of section 308 of the Federal National Mortgage Association Charter Act and the item numbered (94) of section 303(e) of the Federal Executive Salary Act of 1964 are hereby repealed[, and the position of the President of said Association is hereby allocated among the positions referred to in section 7(c) hereof].

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ADMINISTRATION PROVISIONS

SEC. 7. (a) The personnel employed in connection with, and the assets, liabilities, contracts, property, records, and unexpended bal-

ances of appropriations, authorizations, allocations, or other funds held, used, arising from, or available or to be made available in connection with, the functions, powers, and duties transferred by section 5 of this Act are hereby transferred with such functions, powers, and duties, respectively.

[(b) No transfer of functions, powers, and duties shall at any time be made within the Department in connection with the secondary market operations of the Federal National Mortgage Association unless the Secretary finds that the rights and interests of owners of outstanding common stock issued under the Federal National Mortgage Association Charter Act will not be adversely affected thereby.]

* * * * * * *

URBAN MASS TRANSPORTATION ACT OF 1964

[Public Law 88–365, 78 Stat. 302; 49 U.S.C. 1601]

AN ACT To authorize the Secretary of Housing and Urban Development to provide additional assistance for the development of comprehensive and coordinated mass transportation systems, both public and private, in metropolitan and other urban areas, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Urban Mass Transportation Act of 1964".

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LONG-RANGE PROGRAM

SEC. 4. (a) Except as specified in section 5, no Federal financial assistance shall be provided pursuant to section 3 unless the Secretary determines that the facilities and equipment for which the assistance is sought are needed for carrying out a program, meeting criteria established by him, for a unified or officially coordinated urban transportation system as a part of the comprehensively planned development of the urban area, and are necessary for the sound, economic, and desirable development of such area. Such program shall encourage to the maximum extent feasible the participation of private enterprise. Where facilities and equipment are to be acquired which are already being used in mass transportation service in the urban area, the program must provide that they shall be so improved (through modernization, extension, addition, or otherwise) that they will better serve the transportation needs of the area. The Secretary, on the basis of engineering studies, studies of economic feasibility, and data showing the nature and extent of expected utilization of the facilities and equipment, shall estimate what portion of the cost of a project to be assisted under section 3 cannot be reasonably financed from revenues—which portion shall hereinafter be called "net project cost". The Federal grant for such a project shall not exceed two-thirds of the net project cost. [The remainder of the net project cost shall be provided, in cash, from sources other than Federal funds, and no refund or reduction of that portion so provided shall be made at any time unless there is at the same time a refund of a proportional amount of the Federal grant.] *The remainder of the net project cost shall be provided, in cash, from sources other than Federal funds. Not more than 50 per centum of such remainder may be provided from other than public sources, and any public or private transit system funds shall be provided solely from undistributed cash surpluses, replacement or depreciation funds or reserves available in cash, or new capital; except that in cases of demonstrated fiscal inability of an applicant actively engaged in preparing and effectuating a program for a unified or officially coordinated urban transportation system as part of the comprehensively planned development of the urban area, such remainder may be provided from other than public sources. No refund or reduction of the remainder of the net project cost shall be made at any time unless there is at the same time a refund of a proportional amount of the Federal grant.*

(b) To finance grants under this Act there is hereby authorized to be appropriated at any time after its enactment not to exceed $75,000,000 for fiscal year 1965; $150,000,000 for fiscal year 1966; [and] $150,000,000 for each of the fiscal years 1967, 1968, and 1969; *and $190,000,000 for fiscal year 1970.* Any amount so appropriated shall remain available until expended; and any amount authorized but not appropriated for any fiscal year may be appropriated for any succeeding fiscal year. The Secretary is authorized, notwithstanding the provisions of section 3648 of the Revised Statutes, as amended, to make advance or progress payments on account of any grant made pursuant to this Act.

EMERGENCY PROGRAM

SEC. 5. Prior to [November 1, 1968] *October 1, 1969*, Federal financial assistance may be provided pursuant to section 3 where (1) the program for the development of a unified or officially coordinated urban transportation system, referred to in section 4(a), is under active preparation although not yet completed, (2) the facilities and equipment for which the assistance is sought can reasonably be expected to be required for such a system, and (3) there is an urgent need for their preservation or provision. The Federal grant for such a project shall not exceed one-half of the net project cost: *Provided*, That where a Federal grant is made on such a one-half basis, and the planning requirements specified in section 4(a) are fully met within a three-year period after the execution of the grant agreement, an additional grant may then be made to the applicant equal to one-sixth of the net project cost. [The remainder of the net project cost shall be provided, in cash, from sources other than Federal funds, and no refund or reduction of that portion so provided shall be made at any time unless there is at the same time a refund of a proportional amount of the Federal grant.] *The remainder of the net project cost shall be provided, in cash, from sources other than Federal funds. Not more than 50 per centum of such remainder may be provided from other than public sources, and any public or private transit system funds shall be provided solely from undistributed cash surpluses, replacement or depreciation funds or reserves available in cash, or new capital; except that in cases of demonstrated fiscal inability of an applicant actively engaged in preparing and effectuating a program for a unified or officially coordinated urban transportation system as part of the comprehensively planned development of the urban area, such remainder may be provided from other than public sources. No refund or reduction of the remainder of the net project cost shall be made at any time unless there is at the same time a refund of a proportional amount of the Federal grant.*

RESEARCH, DEVELOPMENT, AND DEMONSTRATION PROJECTS

SEC. 6. (a) * * *

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(c) The Secretary may make available to finance projects under this section not to exceed $10,000,000 of the mass transportation grant authorization provided in section 4(b), which limit shall be increased to $20,000,000 on July 1, 1965, to $30,000,000 on July 1, 1966, to $40,-

000,000 on July 1, 1967, and to [$50,000,000] *$56,000,000* on July 1, 1968. *On or after July 1, 1969 the Secretary may make available to finance projects under this section such additional sums out of the grant authorization provided in section 4(b) as he deems appropriate.*

(d) Nothing contained in this section shall limit any authority of the Secretary under section 602 of the Housing Act of 1956 or any other provision of law.

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GENERAL PROVISIONS

SEC. 12. (a) * * *

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(c) As used in this Act—

(1) the term "States" means the several States, the District of Columbia, the Commonwealth of Puerto Rico, and the possessions of the United States;

(2) the term "local public bodies" includes municipalities and other political subdivisions of States; public agencies and instrumentalities of one or more States, municipalities, and political subdivisions of States; and public corporations, boards, and commissions established under the laws of any State;

(3) the term "Secretary" means the Secretary of Housing and Urban Development;

(4) the term "urban area" means any area that includes a municipality or other built-up place which is appropriate, in the judgment of the Secretary, for a public transportation system to serve commuters or others in the locality taking into consideration the local patterns and trends of urban growth; and

[(5) the term "mass transportation" means transportation by bus or rail or other conveyance, either publicly or privately owned, serving the general public (but not including school buses or charter or sightseeing service) and moving over prescribed routes.]

(5) the term "mass transportation" means transportation by bus, rail, or other conveyance, either publicly or privately owned, which provides to the public general or special service (but not including school buses or charter or sightseeing service) on a regular and continuing basis.

* * * * * * *

FEDERAL FLOOD INSURANCE ACT OF 1956

AN ACT To provide insurance against flood damage, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Federal Flood Insurance Act of 1956".

[FINDINGS AND DECLARATION OF PURPOSE

[SEC. 2. (a) The Congress finds that in the case of recurring natural disasters, including recurring floods, insurance protection against individual and public loss is not always practically available through private or public sources. With specific reference to insurance against flood loss, the Congress finds that insurance against certain losses resulting from this peril is not so available. Since preventive and protective means and structures against the effects of these disasters can never wholly anticipate the geographic incidence and infinite variety of the destructive aspects of these forces, the Congress finds that the safeguards of insurance are a necessary adjunct of preventive and protective means and structures.

[Inasmuch as these disasters impede interstate and foreign commerce, hamper national defense, and cause widespread distress and hardship adversely affecting the general welfare, without regard to State boundary lines, and in the absence of insurance protection from private or public sources, the Congress ought to provide for such protection in the case of flood, and study the feasibility and need for similar programs in the case of other forms of natural disaster against which insurance protection is not generally and practically available in all geographical areas.

[(b)(1) It is the purpose of this Act to authorize the establishment of a program of Federal insurance and reinsurance against the risks of loss resulting from flood as hereinafter defined, and to require a study and report on insurance and reinsurance against still other natural disaster perils to the extent that such insurance or reinsurance is not available on reasonable terms and conditions from other public or private sources; and

[(2) It is the further purpose of this Act to encourage private insurance companies to write insurance covering the extent of the risks above the limits prescribed in section 10(a) and to provide Federal reinsurance to the extent desirable and necessary to carry out this purpose.

[(3) It is the further purpose of this Act to authorize the establishment of a program of loans, and a program combining insurance and loans, to assist flood victims who have entered into contracts with the Administrator under this Act.

[ADMINISTRATION

[SEC. 3. (a) To assist in carrying out the functions, powers, and duties vested in him by this Act, the Administrator may appoint a Commissioner, and the basic rate of compensation of such position shall be the same as the basic rate of compensation established for the Commissioners of the constituents of the Housing and Home Finance Agency.

[(b) The provisions of the Government Corporation Control Act, as amended, shall apply to the functions vested in the Administrator by this Act, to the same extent as applicable to wholly owned Government corporations.

[(c) In the performance of, and with respect to, the functions, powers, and duties vested in him by this Act, the Administrator, notwithstanding the provisions of any other law, shall maintain an integral set of accounts which shall be audited annually by the General Accounting Office in accordance with the principles and procedures applicable to commercial transactions as provided by the Government Corporation Control Act, as amended, and no other audit shall be required: *Provided*, That such financial transactions of the Administrator as the issuing of insurance policies, the making of reinsurance agreements, and the making and guaranteeing of loans, and vouchers approved by the Administrator in connection with such financial transactions, shall be final and conclusive upon all officers of the Government.

[AUTHORITY TO INSURE AND REINSURE

[SEC. 4. To aid in carrying out the purposes of this Act, the Administrator is authorized to provide, upon such terms and conditions (including coinsurance requirements) as he may establish, insurance and reinsurance against loss resulting from damage to or destruction of real or personal property (including property owned by any State or local government) due to flood, as hereinafter defined, occurring within the United States: *Provided*, That insurance policies issued under this Act after June 30, 1959, shall be issued only with respect to property in those States which participate as provided in section 7(a) of this Act.

[LOAN CONTRACT

[SEC. 5. (a) The Administrator is authorized to enter into contracts with any persons (not including State and local governments and agencies thereof) to the effect that, in the event of any subsequent loss resulting from damage to or destruction of real and personal property due to flood, as hereinafter defined, occurring within the United States—

[(1) the Administrator will guarantee any public or private financing institution against loss of principal and interest with respect to any loan in an amount not to exceed such subsequent flood loss (as modified by subsection (f) of this section, relating to deductibility), which may be made by such institution to any such person in connection with such flood loss; and

[(2) to the extent that a loan to finance such flood loss is not available from any such institution on reasonable terms, the Administrator will make a loan directly to such person in an amount covering all or part (as provided for in the loan contract between the Administrator and such person) of the difference between the amount of such flood loss (as modified by such subsection (f), relating to deductibility) and the amount of the loan available from such institution.

Each such contract shall contain such terms and conditions and require from any such person such monetary consideration, as the Ad-

ministrator may prescribe by regulation. In issuing such regulations the Administrator shall fix such monetary consideration at the lowest practicable amount, following generally the same principles as apply under section 7(a) with respect to the establishment of fees for insurance.

[(b) Any loan made or guaranteed under this section shall bear interest at the rate, as determined by the Administrator, which is prevailing in the area where the money loaned is to be used but such rate shall not exceed 4 per centum per annum on the unpaid principal balance.

[(c) Any Federal Reserve bank, when designated by the Administrator, is hereby authorized to act, on behalf of the Administrator, as fiscal agent of the United States in guaranteeing loans under this section and in otherwise taking action in connection with such guarantees. Such funds as may be necessary to enable such bank to carry out any such guarantee shall be supplied and disbursed by or under authority of the Administrator from the Disaster Loan Fund. Such bank shall not have any responsibility or accountability except as agent in taking any action in connection with such guarantees. Each such bank shall be reimbursed by the Administrator, from funds appropriated by the Federal Government, for all expenses incurred by the bank in acting as agent on behalf of the Administrator, including among such expenses, notwithstanding any other provision of law, attorneys' fees and expenses of litigation.

[(d) Actions and operations of such banks under authority of subsection (c) of this section shall be subject to the supervision of the Administrator and subject to such regulations as he may prescribe. The Administrator is authorized to prescribe the term and incidental charges for loans guaranteed under subsection (c) of this section. The Administrator is further authorized to prescribe regulations with respect to the forms and procedures (which shall be uniform to the maximum extent practicable) to be utilized in connection with such guarantees.

[(e) To the maximum extent practicable, loans under this section shall be on a long-term basis in accordance with regulations prescribed by the Administrator, if so requested by the person obtaining the loan.

[(f) Loans under this section shall be made only with respect to amounts exceeding the first $500 of the amount of the loss.

[(g) The face amount of all loan contracts outstanding under this section at any one time shall not exceed $2,000,000,000; but such amount may be increased, with the approval of the President, by not to exceed $500,000,000 in any one fiscal year.

[(h) The provisions of sections 8, 9, 10(a), 10(b), 12(b), 12(c), 13, 14, 15(e), 15(g), 17(a), 18, 19, 20, 22, and 23 of this Act shall be applicable with respect to the loan contract program under this section.

[COMBINATION OF INSURANCE AND LOANS

[SEC. 6. The Administrator is authorized to establish, under such regulations as he may prescribe, a program combining insurance and loans in order to provide the greatest variety and amount of protection against loss to the greatest number of affected parties in accordance with individual needs.

[ESTIMATED RATES AND FEES

[SEC. 7. (a) The Administrator shall from time to time establish a schedule of "estimated rates" for insurance offered under the provisions of this Act, which would be adequate, in his judgment, to produce sufficient proceeds to pay all claims for probable losses over a reasonable period of years. Such "estimated rates" shall be used as a basis for determining the fees to be paid by the persons insured. They shall be based on consideration of the risks involved and shall be uniform for similar risks within a given classification of property. They shall not include any loading for administrative expenses of the Federal Government under this Act. The Administrator shall establish a schedule of fees to provide insurance protection at reasonable costs designed to achieve marketability: *Provided*, That no insurance policy shall be issued for a fee less than 60 per centum of such "estimated rate". The Administrator is authorized to establish such classifications of fees as he deems necessary to carry out the purposes of this Act based on the use of the property to be insured, the availability of insurance from private sources covering such property, and the ability of the insured to self-insure or reinsure and may establish differentials in levels of fees for such classifications: *Provided*, That all such fees shall be uniform for similar risks within a given classification of property. Prior to July 1, 1959, the Administrator shall pay into the Disaster Insurance Fund, hereinafter created from time to time, an amount equal to the difference between the fees charged for insurance policies issued and the amount which would have been charged if the "estimated rates" were applied: *Provided*, That after June 30, 1959, each State shall pay from time to time into the Disaster Insurance Fund, an amount equal to one-half the difference between the fees charged for insurance policies issued after such date on property in such State, and the amount which would have been charged if the "estimated rates" were applied, and the Administrator shall pay into such Fund, from time to time, an amount equal to the State's contribution for each policy issued.

[(b) The Administrator from time to time shall also negotiate with insurance companies seeking reinsurance for the purpose of establishing fees for reinsurance offered under the provisions of this Act. Such fees shall be based on consideration of the risks involved and shall be adequate, in the judgment of the Administrator, to produce sufficient proceeds over a reasonable period of years to pay all claims for losses. The fees shall not include any loading for administrative expenses of the Federal Government under this Act.

[PROPERTY AND LOSS LIMITS

[SEC. 8. The Administrator is authorized to provide for the determination of types and location of property with respect to which insurance or reinsurance shall be made available under this Act, the nature and limits of loss or damage in any area (including subdivisions thereof) which may be covered by such insurance or reinsurance, and such other matters as may be necessary to carry out the purposes of this Act.

[RISK CLASSIFICATION

[SEC. 9. The Administrator may from time to time issue appropriate regulations regarding the classification, limitation, and rejection of risks assumed by him under authority of this Act.

[POLICY AND PROGRAM LIMITS

[SEC. 10. (a) The outstanding face amount of insurance issued by the Administrator under this Act shall not exceed $250,000 per person: *Provided*, That the face amount of such insurance on any dwelling unit (including any structures and personal property connected therewith) shall not exceed $10,000.

[(b) The Administrator may from time to time issue appropriate regulations regarding insurance coverage available to joint owners and subsidiary and affiliated corporations as he shall deem advisable to effectuate the purposes of this Act.

[(c) Each insurance policy issued by the Administrator shall contain a loss-deductible clause relieving him from any liability for paying the first $100 of a proved and approved claim for loss, plus 5 per centum of the remainder, or such larger amount or percentage as may be specified by the Administrator upon issuance of the insurance policy, taking into consideration the class of risk involved.

[(d) The face amount of insurance policies and reinsurance agreements outstanding at any one time under this Act shall not exceed $3,000,000,000 (which limit may be increased with the approval of the President by further amounts not to exceed $2,000,000,000 in the aggregate if such increase is deemed advisable to effectuate the purposes of this Act) minus the aggregate amount of claims proved and approved under insurance policies and reinsurance agreements issued under this Act, but plus fees collected hereunder. For the purpose of applying this limitation, the face amount of any policy or agreement shall be deemed to be the original amount minus claims proved and approved thereunder.

[REINSURANCE REGULATORY AUTHORITY

[SEC. 11. (a) The Administrator is authorized to issue such regulations regarding reinsurance under this Act as he deems advisable in order to carry out the purposes of this Act.

[(b) The premium rate and terms and conditions of any policy reinsured under the provisions of this Act shall be subject to approval by the Administrator.

[(c) The Administrator shall use his best efforts to encourage private insurance companies to undertake the issuance of insurance policies covering that portion of the loss in excess of the limits specified in section 10(a) of this Act resulting from damage to or destruction of real or personal property due to flood as defined in this Act. The Administrator may seek to achieve this end by offering a program of appropriate reinsurance within the authority granted him by this Act.

[(d) Wherever practicable, the Administrator may encourage, by offering suitable reinsurance subject to the provisions of this Act, the issuance by private insurance companies of policies insuring

against loss resulting from damage to or destruction of real or personal property due to flood.

[NONDUPLICATION OF AVAILABLE INSURANCE

[SEC. 12. (a) No insurance or reinsurance, or loan contract, shall be issued under the provisions of this Act covering risks against which insurance is available on reasonable terms from other public or private sources.

[(b) No insurance or reinsurance shall be issued under the provisions of this Act on any property declared by a duly constituted State or local zoning authority, or other authorized public body, to be in violation of State or local flood zoning laws.

[(c) After June 30, 1958, no insurance or reinsurance shall be issued under the provisions of this Act in any geographical location unless an appropriate public body shall have adopted and shall keep in effect such flood zoning restrictions, if any, as may be deemed necessary by the Administrator to reduce, within practical limits, damages from flood in such location.

[USE OF OTHER PUBLIC AND PRIVATE FACILITIES

[SEC. 13. (a) In providing insurance or reinsurance under this Act, the Administrator shall use to the maximum practicable extent the facilities and services of private organizations and persons authorized to engage in the insurance business under the laws of any State (including insurance companies, agents, brokers, and adjustment organizations); and the Administrator may arrange for payment of reasonable compensation therefor.

[(b) In providing insurance or reinsurance under this Act, the Administrator may use the services of other public agencies, and pay reasonable compensation therefor.

[(c) The Administrator may supply, receive from and exchange with other agencies of the Federal Government, State, local, and interstate commissions or agencies, and private organizations experienced in the fields of insurance or reinsurance, such information as may be useful in the administration of the programs authorized by this Act.

[(d) In carrying out the functions authorized in this Act, the Administrator may consult with other agencies of the Federal Government and interstate, State, and local public agencies having responsibilities for land use and flood control and for flood zoning and flood-damage prevention in order to assure that the insurance and reinsurance programs are consistent with the programs of such agencies. Where the program of the Administrator may affect existing or proposed flood-control works under the jurisdiction of agencies of the Federal Government these agencies shall cooperate with the Administrator in coordinating their respective programs. The Secretary of Agriculture and the Administrator shall coordinate the administration of their respective programs relating to flood insurance and reinsurance for agricultural commodities.

[(e) The Administrator may from time to time consult with representatives of the various States to the extent deemed necessary by him to effectuate the purposes of this Act.

[CLAIMS PAYMENT AND JUDICIAL REVIEW

[SEC. 14. (a) Under such regulations as the Administrator may prescribe, he shall arrange for prompt adjustment and payment of valid claims for losses covered by insurance or reinsurance under this Act.

[(b) Upon disallowance of any claim against the Administrator under color of any insurance or reinsurance made available under this Act, or upon refusal of the claimant to accept the amount allowed upon any such claim, the claimant may institute an action against the Administrator on such claim in the United States district court in which a major portion (in terms of value) of the insured property is located. Any such action must be begun within one year after the date upon which the claimant receives from the Administrator written notice of disallowance or partial disallowance of the claim. For the purposes of this section, the Administrator may be sued and he shall appoint one or more agents within the jurisdiction of each United States district court upon whom service of process can be made in any action instituted under this section. Exclusive jurisdiction is hereby conferred upon all United States district courts to hear and determine such actions without regard to the amount in controversy.]

FUNDS AND TREASURY BORROWINGS

SEC. 15. [(a) To carry out the purposes of this Act, the Administrator is authorized to establish three funds to be known as the (1) Disaster Insurance Fund, (2) Disaster Reinsurance Fund, and (3) Disaster Loan Fund.

[(b) Into the Disaster Insurance Fund shall be deposited all insurance fees collected by the Administrator for insurance policies issued by him under this Act, and the contributions made by the Administrator and the respective States in accordance with section 7(a) of this Act. Into the Disaster Reinsurance Fund shall be deposited all fees collected by the Administrator in connection with reinsurance made available by him under this Act. Into the Disaster Loan Fund shall be deposited amounts accruing to the United States in connection with loan contract transactions.

[(c) Moneys in each of the funds may be invested in obligations of the United States or in obligations guaranteed as to principal and interest by the United States. Such obligations may be sold and the proceeds derived therefrom may be reinvested as above provided if deemed advisable by the Administrator. Income from such investment or reinvestment shall be deposited in the respective fund from which the investment was made.

[(d) All salvage proceeds realized by the Administrator in connection with insurance made available under this Act shall be deposited in the Disaster Insurance Fund; and all salvage proceeds realized by the Administrator in connection with reinsurance made available under this Act shall be deposited in the Disaster Reinsurance Fund.]

(e) The Administrator is authorized to issue to the Secretary of the Treasury from time to time and have outstanding at any one time, in an amount not exceeding $500,000,000 (or such greater amount as may be approved by the President) notes or other obligations in such forms and denominations, bearing such maturities, and subject to such terms

and conditions as may be prescribed by the Administrator, with the approval of the Secretary of the Treasury. Such notes or other obligations shall bear interest at a rate determined by the Secretary of the Treasury, taking into consideration the current average [rate] *market yield* on outstanding marketable obligations of the United States of comparable maturities [as of the last day of] *during* the month preceding the issuance of such notes or other obligations. The Secretary of the Treasury is authorized and directed to purchase any notes and other obligations to be issued hereunder and for such purpose he is authorized to use as a public debt transaction the proceeds from the sale of any securities issued under the Second Liberty Bond Act, as amended, and the purposes for which securities may be issued under such Act, as amended, are extended to include any purchases of such notes and obligations.

The Secretary of the Treasury may at any time sell any of the notes or other obligations acquired by him under this section. All redemptions, purchases, and sales by the Secretary of the Treasury of such notes or other obligations shall be treated as public debt transactions of the United States. [Funds borrowed under this section shall be deposited, in such proportions as the Administrator deems advisable, in the Disaster Insurance Fund, the Disaster Reinsurance Fund, and the Disaster Loan Fund.

[(f) Moneys in the Disaster Insurance Fund, the Disaster Reinsurance Fund, and the Disaster Loan Fund may be used for the following purposes as deemed necessary by the Administrator:

[(1) To pay from the Disaster Insurance Fund proved and approved claims for loss under, and other nonadministrative expenses arising in connection with, insurance policies issued by the Administrator under this Act;

[(2) To pay from the Disaster Reinsurance Fund proved and approved claims under, and other nonadministrative expenses arising in connection with, reinsurance agreements entered into by the Administrator under this Act.

[(3) To pay from the Disaster Loan Fund the amounts of loans made by the Administrator, amounts in payment of guarantees, and other nonadministrative expenses in connection with direct and guaranteed loans under this Act; and

[(4) To repay to the Secretary of the Treasury sums borrowed from him in accordance with the provisions of subsection (e) of this section.

[(g) All administrative expenses of the Federal Government under this Act shall be paid from funds appropriated by the Federal Government.

[ADVISORY COMMITTEE

[SEC. 16. In carrying out his functions under this Act, the Administrator shall appoint an advisory committee as authorized by section 601 of the Housing Act of 1949, as amended (68 Stat. 590, 645). Such committee shall consist of not less than three nor more than fifteen persons familiar with the problems of insurance or reinsurance, to advise the Administrator with respect to the formulation of policies and the execution of functions under this Act.

[STUDIES

[SEC. 17. (a) The Administrator shall undertake a continuing study of the practicability of extending the coverage of insurance programs similar to those authorized under this Act to any one or more natural disaster perils, other than flood, against which, and for the period during which, insurance protection is not generally and practically available in all geographical locations from other public or private sources.

[(b) The Administrator shall also undertake a continuing study of participation by private insurance companies in the programs authorized by this Act, in order that the protection it authorizes can be provided, whenever practicable, through insurance policies issued by private insurance companies and reinsured with the Administrator, in lieu of providing such protection through insurance policies issued in the name of the Administrator.

[(c) The Administrator shall undertake a continuing study of the feasibility of having private insurance companies take over, with or without some form of Federal financial support, the insurance programs authorized by this Act.

[ADDITIONAL FUNCTIONS

[SEC. 18. For the purpose of carrying out functions under this Act the Administrator may—

[(a) sue or be sued;

[(b) without regard to sections 3648 and 3709 of the Revised Statutes, as amended (31 U.S.C. 529 and 41 U.S.C. 5), and section 322 of the Act of June 30, 1932 (47 Stat. 412, as amended (40 U.S.C. 278a)), enter into and perform contracts, leases, cooperative agreements, or other transactions, on such terms as he may deem appropriate, with any agency or instrumentality of the United States, or with any State or agency or political subdivision thereof, or with any person, firm, association, or corporation and consent to modification thereof, and make advance or progress payments in connection therewith;

[(c) without regard to sections 3648 and 3709 of the Revised Statutes, as amended (31 U.S.C. 529 and 41 U.S.C. 5), and section 322 of the Act of June 30, 1932 (47 Stat. 412, as amended (40 U.S.C. 278a)), by purchase, lease, or donation acquire such real and personal property and any interest therein, make advance or progress payments in connection therewith, and hold, use, maintain, insure against loss, sell, lease, or otherwise dispose of such real and personal property as the Administrator deems necessary to carry out the purposes of this Act;

[(d) appoint, pursuant to civil-service laws and regulations, such officers, attorneys, and employees as may be necessary to carry out the purposes of this Act; fix their compensation in accordance with the provisions of the Classification Act of 1949, as amended; define their authority and duties; provide bonds for such of them as he may deem necessary; and delegate to them, and authorize successive redelegations by them, of such of the powers vested in him by this Act as he may determine;

[(e) conduct researches, surveys, and investigations relating to flood insurance and reinsurance and assemble data for the purpose of establishing estimated rates, fees, and premiums for flood insurance and reinsurance under this Act;

[(f) issue such rules and regulations as he deems necessary to carry out the purposes of this Act; and

[(g) exercise all powers specifically granted by the provisions of this Act and such incidental powers as are necessary to carry out the purposes of this Act.

[RESERVATION OF RIGHTS IN REAL ESTATE ACQUIRED

[SEC. 19. The acquisition by the Administrator of any real property pursuant to this Act shall not deprive any State or political subdivision thereof of its civil or criminal jurisdiction in and over such property or impair the civil rights under the State or local law of the inhabitants on such property.

[TAXATION

[SEC. 20. Nothing in this Act shall be construed to exempt any real property, acquired and held by the Administrator in connection with the payment of any claim under this Act, from taxation by any State or political subdivision thereof, to the same extent, according to its value, as other real property is taxed.

[ANNUAL REPORT

[SEC. 21. The annual report made by the Administrator to the President for submission to the Congress under existing law on all programs provided for under this Act shall contain a comprehensive report concerning (1) the operation of insurance, reinsurance, and loan programs authorized under this Act, and (2) the status and result of studies authorized under section 17 of this Act, together with such recommendations, if any, for legislative changes deemed by the Administrator desirable to improve the operation of programs authorized under this Act. The annual report for the calendar year ending December 31, 1958, shall contain a list of the States which can be expected to participate in the insurance program authorized by this Act after June 30, 1959. The annual report for the calendar year ending December 31, 1961, shall contain an express opinion of the Administrator, supported by pertinent findings, concerning the advisability of withdrawing in whole or in part Federal financial support for insurance policies to be issued at any time after June 30, 1962, offering protection as authorized in this Act, taking into consideration the desirability of offering such protection. Such opinion shall be accompanied by recommendations for legislative changes deemed desirable by the Administrator in the event the opinion is to the effect that any such withdrawal of financial support is advisable.

[DEFINITIONS

[SEC. 22. As used in this Act the term—

[(a) "Flood" includes any flood, tidal wave, wave wash, or other abnormally high tidal water, deluge, or the water component of any hurricane or other severe storm, surface landslide due to excess moisture, and shall have such other meaning as may be prescribed by regulation of the Administrator.

[(b) "Person" means an individual or group of individuals, corporation, partnership, association, or any other organized group of persons, including State and local governments and agencies thereof;

[(c) "United States", when used in a geographic sense, means the several States, the District of Columbia, the Territories, the possessions, and the Commonwealth of Puerto Rico;

[(d) "State" includes the several States, the District of Columbia, the Territories, the possessions, and the Commonwealth of Puerto Rico; and

[(e) "Administrator" means the Housing and Home Finance Administrator.

[SEPARABILITY PROVISION

[SEC. 23. If any provision of this Act or the application of such provision to any person or circumstances shall be held invalid, the remainder of the Act and the application of such provision to any person or circumstance other than those as to which it is held invalid shall not be affected thereby.]

SECTION 5136 OF THE REVISED STATUTES

SEC. 5136. Upon duly making and filing articles of association and an organization certificate a national banking association shall become, as from the date of the execution of its organization certificate, a body corporate, and as such, and in the name designated in the organization certificate, it shall have power—

* * * * * * *

Seventh. To exercise by its board of directors or duly authorized officers or agents, subject to law, all such incidental powers as shall be necessary to carry on the business of banking; by discounting and negotiating promissory notes, drafts, bills of exchange, and other evidences of debt; by receiving deposits; by buying and selling exchange, coin, and bullion; by loaning money on personal security; and by obtaining, issuing, and circulating notes according to the provisions of this chapter. The business of dealing in securities and stock by the association shall be limited to purchasing and selling such securities and stock without recourse, solely upon the order, and for the account of, customers, and in no case for its own account, and the association shall not underwrite any issue of securities or stock: *Provided*, That the association may purchase for its own account investment securities under such limitations and restrictions as the Comptroller of the Currency may by regulation prescribe. In no event shall the total amount of the investment securities of any one obligor or maker, held by the association for its own account, exceed at any time 10 per centum of its capital stock actually paid in and unimpaired and 10 per centum of its unimpaired surplus fund, except that this limitation shall not require any association to dispose of any securities lawfully held by it on August 23, 1935. As used in this section the term "investment securities" shall mean marketable obligations, evidencing indebtedness of any person, copartnership, association, or corporation in the form of bonds, notes and/or debentures commonly known as investment securities under such further definition of the term "investment securities" as may by regulation be prescribed by the Comptroller of the Currency. Except as hereinafter provided or otherwise permitted by law, nothing herein contained shall authorize the purchase by the association for its own account of any shares of stock of any corporation. The limitations and restrictions herein contained as to dealing in, underwriting and purchasing for its own account, investment securities shall not apply to obligations of the United States, or general obligations of any State or of any political subdivision thereof, or obligations issued under authority of the Federal Farm Loan Act, as amended, or issued by the thirteen banks for cooperatives of any of them or the Federal Home Loan Banks or obligations which are insured by the Secretary of Housing and Urban Development under title XI of the National Housing Act, or obligations which are insured by the Secretary of Housing and Urban Development (hereafter in this sentence referred to as the "Secretary") pursuant to section 1713 of this title, if the debentures to be issued in payment of such insured obligations are guaranteed as to

principal and interest by the United States, or obligations, participations, or other instruments of or issued by the Federal National Mortgage Association *or the Government National Mortgage Association* or such obligations of any local public agency (as defined in section 1460(h) of Title 42) as are secured by an agreement between the local public agency and the Secretary in which the local public agency agrees to borrow from said Secretary, and said Secretary agrees to lend to said local public agency, monies in an aggregate amount which (together with any other monies irrevocably committed to the payment of interest on such obligations) will suffice to pay, when due, the interest on and all installments (including the final installment) of the principal of such obligations, which monies under the terms of said agreement are required to be used for such payments, or such obligations of a public housing agency (as defined in the United States Housing Act of 1937, as amended) as are secured either (1) by an agreement between the public housing agency and the Secretary in which the public housing agency agrees to borrow from the Secretary, and the Secretary agrees to lend to the public housing agency, prior to the maturity of such obligations (which obligations shall have a maturity of not more than eighteen months), monies in an amount which (together with any other monies irrevocably committed to the payment of interest on such obligations) will suffice to pay the principal of such obligations with interest to maturity thereon, which monies under the terms of said agreement are required to be used for the purpose of paying the principal of and the interest on such obligations at their maturity, or (2) by a pledge of annual contributions under an annual contributions contract between such public housing agency and the Secretary if such contract shall contain the covenant by the Secretary which is authorized by section 1421a(b) of Title 42, and if the maximum sum and the maximum period specified in such contract pursuant to section 1421a(b) of Title 42 shall not be less than the annual amount and the period for payment which are requisite to provide for the payment when due of all installments of principal and interest on such obligations: *Provided*, That in carrying on the business commonly known as the safe-deposit business the association shall not invest in the capital stock of a corporation organized under the law of any State to conduct a safe-deposit business in an amount in excess of 15 per centum of the capital stock of the association actually paid in and unimpaired and 15 per centum of its unimpaired surplus. The limitations and restrictions herein contained as to dealing in and underwriting investment securities shall not apply to obligations issued by the International Bank for Reconstruction and Development, the Inter-American Development Bank, or the Asian Development Bank which are at the time eligible for purchase by a national bank for its own account, nor to bonds, notes and other obligations issued by the Tennessee Valley Authority: *Provided*, That no association shall hold obligations issued by any of said organizations as a result of underwriting, dealing, or purchasing for its own account (and for this purpose obligations as to which it is under commitment shall be deemed to be held by it) in a total amount exceeding at any one time 10 per

centum of its capital stock actually paid in and unimpaired and 10 per centum of its unimpaired surplus fund. *Notwithstanding any other provision in this paragraph, the association may purchase for its own account shares of stock issued by a corporation authorized to be created pursuant to title VIII of the Housing and Urban Development Act of 1968, and may make investments in a partnership, limited partnership, or joint venture formed pursuant to section 807(a) or 807(c) of that Act.*

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FEDERAL HOME LOAN BANK ACT

* * * * * * *

INVESTMENT OF SURPLUS FUNDS

Sec. 11. (a)

* * * * * * *

(h) Such part of the assets of each Federal Home Loan Bank (except reserves and amounts provided for in subsection (g)) of this section as are not required for advances to members or nonmember borrowers, may be invested, to such extent as the bank may deem desirable and subject to such regulations, restrictions, and limitations as may be prescribed by the board, in obligations of the United States, in obligations, participations, or other instruments of or issued by the Federal National Mortgage Association *or the Government National Mortgage Association, in the stock of the Federal National Mortgage Association*, and in such securities as fiduciary and trust funds may be invested in under the laws of the State in which the Federal Home Loan Bank is located.

* * * * * * *

SEC. 12. (*a*) * * *

(*b*) *Subject to such regulations as may be prescribed by the Board, one or more Federal home loan banks may acquire, hold, or dispose of, in whole or in part, or facilitate such acquisition, holding, or disposition, by members of any such bank of, housing project loans, or interests therein, having the benefit of any guaranty under section 221 of the Foreign Assistance Act of 1961, as now or hereafter in effect, or loans, or interests therein, having the benefit of any guaranty under section 224 of such Act, or any commitment or agreement with respect to such loans, or interests therein, made pursuant to either of such sections.*

* * * * * * *

Sec. 16. Each Federal Home Loan Bank shall carry to a reserve account semiannually 20 per centum of its net earnings until said reserve account shall show a credit balance equal to 100 per centum of the paid-in capital of such bank. After said reserve has reached 100 per centum of the paid-in capital of said bank, 5 per centum of its net earnings shall be added thereto semiannually. Whenever said reserve shall have been impaired below 100 per centum of the paid-in capital it shall be restored before any dividends are paid. Each Federal Home Loan Bank shall establish such additional reserves and/or make such charge-offs on account of depreciation or impairment of its assets as the board shall require from time to time. No dividends shall be paid except out of net earnings remaining after all reserves and charge-offs required under this chapter have been provided for, and then only with the approval of the board. The reserves of each Federal Home Loan Bank shall be invested, subject to such regulations, restrictions, and limitations as may be prescribed by the board, in direct obligations of the United States, in obligations, participations, or other instruments of or issued by the Federal National Mortgage Association *for the Government National Mortgage Association*, and in such securities

as fiduciary and trust funds may be invested in under the laws of the State in which the Federal Home Loan Bank is located.

* * * * * * *

Section 8(8) of the Federal Credit Union Act (12 U.S.C. 1757(8))

SEC. 8. A Federal credit union shall have succession in its corporate name during its existence and shall have power—

* * * * * * *

(8) to invest its funds (A) in loans exclusively to members; (B) in obligations of the United States of America, or securities fully guaranteed as to principal and interest thereby; (C) in accordance with rules and regulations prescribed by the Director, in loans to other credit unions in the total amount not exceeding 25 per centum of its paid-in and unimpaired capital and surplus; (D) in shares or accounts of savings and loan associations or mutual savings banks, the accounts of which are insured by the Federal Savings and Loan Insurance Corporation or the Federal Deposit Insurance Corporation; (E) in obligations issued by banks for cooperatives, Federal land banks, Federal intermediate credit banks, Federal home loan banks, the Federal Home Loan Bank Board, or any corporation designated in section 101 of the Government Corporation Control Act as a wholly owned Government coporation; or in obligations, participations, or other instruments of or issued by, or fully guaranteed as to principal and interest by, the Federal National Mortgage Association *or the Government National Mortgage Association*; or (F) in participation certificates evidencing beneficial interests in obligations, or in the right to receive interest and principal collections therefrom, which obligations have been subjected by one or more Government agencies, to a trust or trusts for which any executive department, agency, or instrumentality of the United States (or the head thereof) has been named to act as trustees;

APPALACHIAN REGIONAL DEVELOPMENT ACT OF 1965

* * * * * * *

ASSISTANCE FOR PLANNING AND OTHER PRELIMINARY EXPENSES OF PROPOSED HOUSING PROJECTS UNDER SECTION 221 *AND SECTION 236* OF THE NATIONAL HOUSING ACT

SEC. 207. (a) In order to encourage and facilitate the construction or rehabilitation of housing to meet the needs of low- and moderate-income families and individuals, the Secretary of Housing and Urban Development (hereafter in this section referred to as the "Secretary") is authorized to make grants and loans from the Appalachian Housing Fund established by this section, under such terms and conditions as he may prescribe, to nonprofit, limited dividend, or cooperative organizations, or to public bodies, for expenses of planning and of obtaining an insured mortgage for a housing construction or rehabilitation project, under section 221 *or section 236* of the National Housing Act (hereafter in this section referred to as "section 221" *or "section 236"*), in any area of the Appalachian region determined by the Commission to have significant potential for future growth.

(b) No grant under this section shall exceed 80 per centum of those administrative expenses, incident to planning a project and obtaining an insured mortgage under section 221 *or section 236*, which the Secretary considers not to be recoverable from the proceeds of a mortgage insured under such section: *Provided*, That no grant shall be made to an organization established for profit.

(c) No loan under this section shall exceed 80 per centum of the cost of planning a project and obtaining an insured mortgage under section 221 *or section 236*, including, but not limited to, preliminary surveys and analyses of market needs, preliminary site engineering and architectural fees, site options, Federal Housing Administration, *Government National Mortgage Association*, and Federal National Mortgage Association fees, and construction loan fees and discounts. Loans may be made without interest, or at any market or below market interest rate authorized for a mortgage insured under section 221 *or section 236*: *Provided*, That any loan made to an organization established for profit shall bear interest at the prevailing market rate authorized for a mortgage insured under such section. The Secretary may, except in the case of a loan to an organization established for profit, waive the repayment of all or any part of a loan made under this section, including interest, which he finds the borrower is unable to recover from the proceeds of a mortgage insured under section 221 *or section 236*.

(d) All funds allocated to the Secretary for the purposes of this section shall be deposited in a fund which shall be known as the Appalachian Housing Fund and shall be used as a revolving fund by the Secretary for carrying out such purposes. General expenses of administration of this section may be charged to the fund. Moneys in the fund not needed for current operation may be invested in bonds or other obligations guaranteed as to principal and interest by the United States.

(e) Not to exceed $5,000,000 of the funds authorized in section 401 of this Act for the two-fiscal-year period ending June 30, 1969, shall be available to carry out this section.

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SECTION 101 OF THE GOVERNMENT CORPORATION CONTROL ACT

SEC. 101. As used in this Act the term "wholly owned Government corporation" means the Commodity Credit Corporation; Regional Agricultural Credit Corporations; Farmers Home Corporation; Federal Crop Insurance Corporation; Federal Surplus Commodities Corporation; Reconstruction Finance Corporation; Defense Plant Corporation; Defense Supplies Corporation; Metals Reserve Company; Rubber Reserve Company; War Damage Corporation; [Federal] *Government* National Mortgage Association; the RFC Mortgage Company; Disaster Loan Corporation; Inland Waterways Corporation; Warrior River Terminal Company; Virgin Islands Corporation; Federal Prison Industries, Incorporated; United States Spruce Production Corporation; Development Loan Fund; Institute of Inter-American Affairs; Institute of Inter-American Transportation; Inter-American Educational Foundation, Incorporated; Inter-American Navigation Corporation; Prencin-radio, Incorporated; Cargoes, Incorporated; Export-Import Bank of Washington; Petroleum Reserves Corporation; Rubber Development Corporation; U.S. Commercial Company; Smaller War Plants Corporation; [United States Housing Authority and including public housing projects financed from appropriated funds and operations thereof;] Defense Homes Corporation; Federal Savings and Loan Insurance Corporation; Home Owners' Loan Corporation; United States Housing Corporation; Federal Housing Administration; Saint Lawrence Seaway Development Corporation; Panama Canal Company; Tennessee Valley Authority; and Tennessee Valley Associated Cooperatives, Incorporated.

PUBLIC BUILDINGS ACT OF 1959

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SEC. 13. As used in this Act—

(1) The term "public building" means any building, whether for single or multitenant occupancy, its grounds, approaches, and appurtenances, which is generally suitable for office or storage space or both for the use of one or more Federal agencies or mixed ownership corporations, and shall include: (i) Federal office buildings, (ii) post office, (iii) customhouses (iv) courthouses, (v) appraisers stores, (vi) border inspection facilities, (vii) warehouses, (viii) record centers, (ix) relocation facilities, and (x) similar Federal facilities, and (xi) any other buildings or construction projects the inclusion of which the President may deem, from time to time hereafter, to be justified in the public interest; but shall not include any such buildings and construction projects: (A) on the public domain (including that reserved for national forests and other purposes), (B) on properties of the United States in foreign countries, (C) on Indian and native Eskimo properties held in trust by the United States, (D) on lands used in connection with Federal programs for agricultural, recreational, and conservation purposes, including research in connection therewith, (E) on or used in connection with river, harbor, flood control, reclamation or power projects, or for chemical manufacturing or development projects, or for nuclear production, research, or development projects, (F) on or used in connection with housing and residential projects, (G) on military installations (including any fort, camp, post, naval training station, airfield, proving ground, military supply depot, military school, or any similar facility of the Department of Defense), (H) on Veterans' Administration installations used for hospital or domiciliary purposes, and (I) the exclusion of which the President may deem, from time to time hereafter, to be justified in the public interest.

(2) The term "Administrator" means the Administrator of General Services.

(3) The term "Federal agency" means any executive agency or any establishment in the legislative or judicial branch of the Government (except the Senate, the House of Representatives, and the Architect of the Capitol and any activities under his direction).

(4) The term "executive agency" means any executive department or independent establishment in the executive branch of the Government including any wholly owned Government corporation and including (A) the Central Bank for Cooperatives and the regional banks for cooperatives, (B) Federal land banks, (C) Federal intermediate credit banks, (D) Federal home loan banks, (E) Federal Deposit Insurance Corporation, and (F) the [Federal] *Government* National Mortgage Association.

(5) The term "alter" includes repairing, remodeling, improving, or extending or other changes in a public building.

(6) The terms "construct" and "alter" include preliminary planning, engineering, architectural, legal, fiscal, and economic investigations and studies, surveys, designs, plans, working drawings, specifications, procedures, and other similar actions necessary for the construction or alteration, as the case may be, of a public building.

(7) The term "United States" includes the several States, the District of Columbia, the Commonwealth of Puerto Rico, and the possessions of the United States.

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PARTICIPATION SALES ACT OF 1966

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SEC. 6. * * *

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(b) After June 30, 1966, no department or agency listed in section 302(c)(2) of the Federal National Mortgage Association Charter Act may sell any obligation held by it except as provided in section 302(c) of that Act, or as approved by the Secretary of the Treasury, except that this prohibition shall not apply to [secondary market operations carried on by the Federal] *the Government* National Mortgage Association.

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SOUTHEAST HURRICANE DISASTER RELIEF ACT OF 1965

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SEC. 5. The Secretary of Housing and Urban Development shall undertake an immediate study of alternative programs which could be established to help provide financial assistance to those suffering property losses in flood and other natural disasters, including alternative methods of Federal disaster insurance, as well as the existing flood insurance program, and shall report his findings and recommendations to the President for submission to the Congress not later than nine months after the appropriation of funds for this study, except that the findings and recommendations on earthquake insurance shall be reported to the President for submission to the Congress not later than [three years after the appropriation of funds for this study] *June 30, 1969.*

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SECTION 5315(87) OF TITLE 5, UNITED STATES CODE

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§ 5315. Positions at level IV

Level IV of the Executive Schedule applies to the following positions, for which the annual rate of basic pay is $28,750:

* * * * * * *

(87) Assistant Secretaries of Housing and Urban Development [(4)] *(6)*.

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TITLE 18, UNITED STATES CODE

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§ 709. False advertising or misuse of names to indicate Federal agency

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Whoever uses as a firm or business name the words "Department of Housing and Urban Development", "Housing and Home Finance Agency", "Federal Housing Administration", "[Federal] *Government* National Mortgage Association", "United States Housing Authority", or "Public Housing Administration" or the letters "HUD", "FHA", "PHA", or "USHA", or any combination or variation of those words or the letters "HUD", "FHA", "PHA", or "USHA" alone or with other words or letters reasonably calculated to convey the false impression that such name or business has some connection with, or authorization from, the Department of Housing and Urban Development, the Housing and Home Finance Agency, the Federal Housing Administration, the [Federal] *Government* National Mortgage Association, the United States Housing Authority, the Public Housing Administration, the Government of the United States, or any agency thereof, which does not in fact exist, or falsely claims that any repair, improvement, or alteration of any existing structure is required or recommended by the Department of Housing and Urban Development, the Housing and Home Finance Agency, the Federal Housing Administration, the [Federal] *Government* National Mortgage Association, the United States Housing Authority, the Public Housing Administration, the Government of the United States, or any agency thereof, for the purpose of inducing any person to enter into a contract for the making of such repairs, alterations, or improvements, or falsely advertises or falsely represents by any device whatsoever that any housing unit, project, business, or product has been in any way endorsed, authorized, inspected, appraised, or approved by the Department of Housing and Urban Development, the Housing and Home Finance Agency, the Federal Housing Administration, the [Federal] *Government* National Mortgage Association, the United States Housing Authority, the Public Housing Administration, the Government of the United States, or any agency thereof; or

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TITLE 38, UNITED STATES CODE

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§ 1820. Powers of Administrator

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(e)(1) The Administrator is authorized from time to time, as he determines advisable, to set aside first mortgage loans, and installment sale contracts, owned and held by him under this chapter as the basis for the sale of participation certificates as herein provided. For this purpose the Administrator may enter into agreements, including trust agreements, with the [Federal] *Government* National Mortgage Association, and any other Federal agency, under which the Association as fiduciary may sell certificates of participation based on principal and interest collections to be received by the Administrator and the Association or any other such agency on first mortgage loans and installment sale contracts comprising mortgage pools established by them. The agreement may provide for substitution or withdrawal of mortgage loans, or installment sale contracts, or for substitution of cash for mortgages in the pool. The agreement shall provide that the [Federal] *Government* National Mortgage Association shall promptly pay to the Administrator the entire proceeds of any sale of certificates of participation to the extent such certificates are based on mortgages, including installment sale contracts, set aside by the Administrator and he shall periodically pay to the Association, as fiduciary, such funds as are required for payment of interest and principal due on outstanding certificates of participation to the extent of the pro rata amount allocated to the Administrator pursuant to the agreement. The agreement shall also provide that the Administrator shall retain ownership of mortgage loans and installment sale contracts set aside by him pursuant to the agreement unless transfer of ownership to the fiduciary is required in the event of default or probable default in the payment of participation cetrificates. The Administrator is authorized to purchase outstanding certificates of participation to the extent of the amount of his commitment to the fiduciary on participations outstanding and to pay his proper share of the costs and expenses incurred by the [Federal] *Government* National Mortgage Association as fiduciary pursuant to the agreement.

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ACT OF MAY 7, 1968

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SEC. 3. (a) Notwithstanding the provisions of sections 203(b)(5), 207(c)(3), 213(d), 220(d)(4), 220(h)(2)(iii), 221(d)(5), 231(c)(6), 232(d)(3)(B), 234(f), *235(j)(2)(C)*, *236(j)(4)(B)*, *240(c)(4)*, *241(b)(3)*, *242(d)(3)(B)*, and 1101(c)(4) of the National Housing Act regarding the maximum interest rates which the Secretary of Housing and Urban Development may establish for certain mortgage insurance programs authorized by that Act, the Secretary is authorized, until October 1, 1969, to set the maximum interest rates for such programs at not to exceed such per centum per annum on the amount

of the principal obligation outstanding at any time as he finds necessary to meet the mortgage market, and during that time the interest rates so set shall be deemed to be for all purposes the interest rates in effect under the provisions of said section 203(b)(5) and the other sections referred to above: *Provided*, That in determining the rate to be applicable for the said section 203(b)(5) program, the Secretary shall consult with the Administrator of Veterans' Affairs regarding the rate which the Administrator considers necessary to meet the mortgage market for guaranteed or insured home loans to veterans under chapter 37 of title 38, United States Code.

* * * * * * *

HOME OWNERS' LOAN ACT OF 1933

AN ACT To provide emergency relief with respect to home mortgage indebtedness, to refinance home mortgages, to extend relief to the owners of homes occupied by them and who are unable to amortize their debt elsewhere, to amend the Federal Home Loan Bank Act, to increase the market for obligations of the United States, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Home Owners' Loan Act of 1933."

* * * * * * *

FEDERAL SAVINGS AND LOAN ASSOCIATIONS

SEC. 5. (a) In order to provide local mutual thrift institutions in which people may invest their funds and in order to provide for the financing of homes, the Board is authorized, under such rules and regulations as it may prescribe, to provide for the organization, incorporation, examination, operation, and regulation of associations to be known as "Federal Savings and Loan Associations", and to issue charters therefor, giving primary consideration to the best practices of local mutual thrift and home-financing institutions in the United States.

[(b) Such associations shall raise their capital only in the form of payments on such shares as are authorized in their charter, which shares may be retired as is therein provided. No deposits shall be accepted and no certificates of indebtedness shall be issued except for such borrowed money as may be authorized by regulations of the Board.]

(b) (1) An association may raise capital in the form of such savings deposits, shares, or other accounts, for fixed, minimum, or indefinite periods of time (all of which are referred to in this section as savings accounts and all of which shall have the same priority upon liquidation) as are authorized by its charter or by regulations of the Board, and may issue such passbooks, time certificates of deposit, or other evidence of savings accounts as are so authorized. Holders of savings accounts and obligors of an association shall, to such extent as may be provided by its charter or by regulations of the Board, be members of the association, and shall have such voting rights and such other rights as are thereby provided. Except as may be otherwise authorized by the association's charter or regulation of the Board in the case of savings accounts for fixed or minimum terms of not less than thirty days, the payment of any savings account shall be subject to the right of the association to require such advance notice, not less than thirty days, as shall be provided for by the charter of the association or the regulations of the Board. The payment of withdrawals from savings accounts in the event an association does not pay all withdrawals in full (subject to the right of the association to require notice) shall be subject to such rules and procedures as may be prescribed by the association's charter or by regulation of the Board, but any association which, except as authorized in writing by the Board, fails to make full payment of any withdrawal when due shall be deemed to be in an unsafe or unsound condition to transact business within the meaning of subsection (d) of this section. Savings accounts

shall not be subject to check or to withdrawal or transfer on negotiable or transferable order or authorization to the association, but the Board may by regulation provide for withdrawal or transfer of savings accounts upon nontransferable order or authorization.

(2) To such extent as the Board may authorize by regulation or advice in writing, an association may borrow, may give security, and may issue such notes, bonds, debentures, or other obligations, or other securities (except capital stock) as the Board may so authorize.

(c) Such associations shall lend their funds only on the security of their [shares] *savings accounts or securities* or on the security of first liens upon real property within one hundred miles of their home office which constitute first liens upon homes, combinations of homes and business property, other dwelling units, or combinations of dwelling units, including homes, and business property involving only minor or incidental business use (all of which may be defined by the Board): *Provided*, That not more than $40,000 for each single-family dwelling, and not more than such amount per room as the Board may determine by regulation within the limits allowable (at the time of the loan) in section 207(c)(3) of the National Housing Act for any other dwelling unit covered by such lien shall be loaned on the security of any such lien, and the Board shall by regulation limit to not more than 15 per centum of the assets of the association the aggregate amount or amounts of the investments which may be made by an association under the foregoing provisions of this sentence on the security of property which comprises or includes more than four dwelling units or does not constitute homes or combinations of homes and business property; except that not exceeding 20 per centum of the assets of such association may be loaned on the security of first liens upon improved real estate without regard to the foregoing limitations, and additional sums not exceeding 20 per centum of the assets of an association may be used without regard to such area restriction for the making or purchase of participating interests in first liens on real property of the type described in this sentence in the matter preceding this proviso: *And provided further*, That any portion of the assets of such associations may be invested in obligations of, or fully guaranteed as to principal and interest by, the United States, or in the stock or bonds of a Federal Home Loan Bank, or in obligations, participations, or other instruments of or issued by, or fully guaranteed as to principal and interest by, the Federal National Mortgage Association *or the Government National Mortgage Association*, or any other agency of the United States *or the stock of the Federal National Mortgage Association; or in time deposits, certificates, or accounts of any bank the deposits of which are insured by the Federal Deposit Insurance Corporation;* or in general obligations of any State or of any political subdivision thereof; and as used in this proviso the term "State" shall include the District of Columbia, the Commonwealth of Puerto Rico, and the possessions of the United States: *And provided further*, That any such association which is converted from a State-chartered institution may continue to make loans in the territory in which it made loans while operating under State charter. In addition to the loans and investments otherwise authorized, such associations may purchase, subject to all the provisions of this paragraph except the area restriction, loans secured by first liens on improved real estate which are insured

under the provisions of the National Housing Act, as amended, or insured as provided in the Servicemen's Readjustment Act of 1944, as amended, or chapter 37 of title 38, United States Code. Structures or parts thereof designed or used as fraternity or sorority houses which include sleeping accommodations for students of a college or university, or designed or used principally for the provision of living accommodations for persons who are students, employees, or members of the staff of a college, university, or hospital, shall be considered, subject to such regulations as the Board may prescribe, "other dwelling units" for the purposes of this subsection.

* * * * * * *

Without regard to any other provision of this subsection, any such association may make and invest in any loan not exceeding $5,000—

(A) for the repair, equipping, alteration, or improvement of any real property, including the construction of new structures related to residential use of the property, or

(B) for the purpose of mobile home financing, subject to such prohibitions, limitations, and conditions as the Board may by regulation prescribe.

* * * * * * *

Without regard to any other provision of this subsection, any such association may, to such extent as the Federal Home Loan Bank Board may by regulation permit, invest in loans, and interests in loans, (1) secured by mortgages as to which the association has the benefit of insurance under title X of the National Housing Act or of a commitment or agreement for such insurance, or (2) guaranteed by the President under section 224 of the Foreign Assistance Act of 1961, as amended. Investments under clause (1) of this paragraph shall not be included in any percentage of assets or other percentage referred to in this subsection. Investments under clause (2) of this paragraph shall not exceed, in the case of any association, 1 per centum of the assets of such association.

Notwithstanding any other provision of this subsection, an association may invest in loans or obligations, or interests therein, as to which the association has the benefit of insurance under section 240 of the National Housing Act, or of a commitment or agreement therefor, and such investments shall not be included in any percentage of assets or other percentage referred to in this subsection.

No building and loan association incorporated under the laws of the District of Columbia or organized in such District or doing business in such District shall establish any branch or move its principal office or any branch without the prior written approval of the Federal Home Loan Bank Board, and no other building and loan association shall establish any branch in such District or move its principal office or any branch in such District without such approval. As used in the sentence next preceding, "branch" means any office, place of business, or facility, other than the principal office as defined by the Board, of a building and loan association at which accounts are opened or payments thereon are received or withdrawals therefrom are paid, or any other office, place of business, or facility of a building and loan association defined by the Board as a branch within the meaning of such

sentence, and as used in such sentence and in this sentence "building and loan association" means any incorporated or unincorporated building, building or loan, building and loan, savings and loan, or homestead association or cooperative bank.

Any such association may invest in loans, or interests in loans secured by loans, obligations, or investments in which it has any statutory authority to invest directly.

(d) (1) The Board shall have power to enforce this section and rules and regulations made hereunder. In the enforcement of any provision of this section or rules and regulations made hereunder, or any other law or regulation, or in any other action, suit, or proceeding to which it is a party or in which it is interested, and in the administration of conservatorships and receiverships, the Board is authorized to act in its own name and through its own attorneys. Except as otherwise provided herein, the Board shall be subject to suit (other than suits on claims for money damages) by any Federal savings and loan association or director or officer thereof with respect to any matter under this section or any other applicable law, or rules or regulations thereunder, in the United States district court for the judicial district in which the home office of the association is located, or in the United States District Court for the District of Columbia, and the Board may be served with process in the manner prescribed by the Federal Rules of Civil Procedure.

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MINORITY VIEWS

The minority joins in reporting of H.R. 17989 because it believes that this bill, of 280 pages and over 200 sections and subsections, deserves the fullest and frankest discussion possible. The proposed legislation calls for over $5 billion in authorizations to be committed largely by the end of fiscal year 1970 and expands hugely the power of the Secretary of the Department of Housing and Urban Development.

A major attack on the problems of the poor in the field of housing is one which the minority believes should be made. We do not, however, believe it should be made if the various concepts of the operation are not backed by sufficient specifics to insure its success. To date, the proposals of the administration are only promises. The administration's performance has not lived up to such promises in recent years and we object to any "brave" new programs, whether borrowed or dreamed, when they amount to a cruel hoax on the very section of the public which they are supposed to serve. It is time we stopped promising a brighter tomorrow when we cannot produce a streetlight today.

We do not agree with the fulsome statement of the majority that the bill presented to the Congress carries provisions that perfect nearly every one of our existing programs in this field and that it contains a number of imaginative new approaches.

Undeniably the bill is big.

Parts of it are also bad.

Too many of our existing housing programs are the result of budgetary gimickry. In order to reduce the impact of a program on the present administration's budget, the costs are spread over as many as 40 years. This may be good public relations and good politics but it is bad economics. It increases substantially the financing costs of housing obtained under the program. It misleads the public as to the true cost of the program with only one-fortieth of the cost showing in the first year, but thirty-nine fortieths hidden in the future—much worse than a hidden iceberg and potentially more dangerous to our future fiscal stability. Rent supplement is a case in point.

We can endorse the attempt to establish means of extending home ownership to the Nation's poor. We deplore the fact that a praiseworthy attempt to enlist private enterprise should be perverted, once again, into a raid on the Federal Treasury in a time of financial crisis and made an excuse to once more expand the Federal housing bureaucracy.

We question the setting up of a separate high-risk mortgage insurance fund apart from the normal operations of FHA, but believe that the statement on page 12 of the report that the fund "would not be intended to be actuarially sound" carries with it its own indictment.

We, also, endorse the setting up of a National Homeownership Foundation, but think that in providing interest-free loans to nonprofit housing sponsors to cover preconstruction expenses, the administration should have also placed some limit on salaries and expenses of those same nonprofit sponsors.

We endorse the new plans for an alternative form of urban renewal, since one of the difficulties of the existing program is that it attempts

too much too soon. We do think that since only 12-month increments will be now attempted, some adjustment might well be made in the request for mammoth appropriations currently requested, particularly since HUD has had difficulty moving the funds appropriated into activity.

We applaud the emphasis in mass transit and particularly the means taken to implement the raising of the non-Federal share.

We believe the return of the Federal National Mortgage Association to private control and management is long overdue, and endorse the retention of FNMA's special assistance and management and liquidation functions into a new setup—the Government National Mortgage Association.

We believe that the new urban riot and flood insurance programs are matters of urgent priority. We regret that due to the administration's deficit funding policies, it is necessary to propose these programs be supported, when catastrophe strikes, by Treasury borrowing.

We are disturbed that there is no limit on the Government's liability. Particularly since the Government's responsibility in the case of any nuclear incident is limited to $500 million under the Price-Anderson Act. We think there should be flexible liability limits based on a formula which would encompass geographic location, population density, and the amount of existing liabilities underwritten by the insurance agencies.

The new program of mortgage insurance for nonprofit hospitals, proposed by both the chairman of the committee and the minority leader of the House we believe to be a proposal most worthwhile and a fit companion to the medical facilities and nursing home legislation already on the statute books. Since the legislation now provides for the inclusion of equipment in the mortgage, we question whether the mortgage should be for a term of years in excess of what would be considered the useful life of the equipment included. We also believe that some ratio should be established between the cost of the equipment and that of the housing as in this instance the real estate's worth could conceivably be far less than that of the equipment.

We think the expansion of the water and sewer program, as recommended by the chairman of the committee and the ranking minority member, Mr. Widnall, is something that is long overdue. When there is a backlog of billions in applications, when it is a question in some instances of whether or not a town's inhabitants have to import water to drink, we think the Congress should expand a program that is in demand in every congressional district in the country. We think this should be done despite the Secretary of HUD's attempt to place a low priority on its authorizations and appropriations. We deplore the administration's failure in recent years to seek full appropriations for this program when the public demand was 20 times the authorization. Disagreements in this field between the Congress and the administration are fundamental.

The foregoing is placed in the record to indicate that there is much in H.R. 17989 that the undersigned can and will support. It is completely logical that we should do so.

It is, however, completely illogical to expect this Congress to pass a tax increase amounting to $10 billion, coupling that action to a $6 billion cut in governmental expenditures, and 2 weeks later pass au-

thorizations for increased expenditures amounting to close to $6 billion. Yet this is what this bill would have us do. This measure is being ballyhooed as an administrative legislative accomplishment, but the executive cannot have it both ways.

The President cannot both applaud the Congress' action in levying the increased taxes and call for the expansion of programs that have failed of their goals without at the same time defying the sensibilities of the national legislature. And neither he nor his legislative leaders can overlook, nor justify a lack of performance on the part of the Department of Housing and Urban Development and call for more of the same at greater cost. Yet he, and his supporters are attempting that impossibility.

In this time of financial crisis, when the Congress has just enacted a tax bill increasing the burdens of its taxpaying citizens by $5 billion for the remainder of 1968, the administration has forced through the Banking and Currency Committee, a bill calling for new expenditures of $5 billion plus covering the next 3 years. This inflationary policy also has the effect of almost completely diluting the $6 billion cut in expenditures which the Congress—in the name of fiscal sanity—forced the executive branch to make as its price for producing the dollars necessary if the budget was not to get completely out of hand.

The administration attempts to justify this additional gigantic and multimillion dollar expenditure on the grounds that it is for "poor people". It is not. The entire subsidy, which runs to the payment of interest down to 1 percent, goes not to the hopeful low-income wage earner, but to the lending institution holding the mortgage, the mortgagee, not the mortgagor. The homeowner's equity will not be increased by so much as a red cent. Furthermore, that equity will build up so slowly under the administration's plan that at the end of 15 or 20 years, it will be barely enough to cover the additional expense of major maintenance repairs and replacement logically becoming necessary at that time.

And for this, if this bill is enacted, the Department of Housing and Urban Development will be paying an average of $1,000 per unit annually to enable an estimated 300,000 to 500,000 low income families to become homeowners in the next 3 fiscal years. If the record of HUD achievement in its much touted rent supplement (1965) and the demonstration cities (1966) programs are any measure of its home producing abilities, HUD will fall far short of its ambitions. It has locked up $42 million in rent supplement funds for which it must continue paying for 40 years and has produced only 2,526 homes to date, two-thirds of which were already in existence when funded.

Further, almost 2 years after HUD's first receipt of authorizations and appropriations, it has yet to make its first grant in the demonstration city program, one that has consistently been oversold and underfunded, not to mention distorted out of its original concept and image.

A number of Congressmen following the initiative of Congressman Widnall and Senator Percy introduced a proposal of homeownership for the low- and moderate-income wage earners in 1967. The legislation proposed contained the framework, income levels, eligibility both of property and prospective homeowners, loan terms, the amount of Federal financial assistance, et cetera, that have been modified by HUD for the political purpose of capturing the impetus which the Widnall-Percy proposals generated. The administration device is more expen-

sive, filled with Federal controls that necessitate the hiring of hundreds of additional bureaucrats, at a time when we have passed legislation requiring a reduction in Federal personnel to the levels of 1966, but the gilt edged with the promise of hundreds of thousands of homes which HUD says it can produce.

There is nothing in the Department's record that indicates this as a possibility that can be realized. What private enterprise might accomplish, the dead hand of bureaucracy will, expensively, burden.

Unfilled expectations of the rent supplement and demonstration city programs have led to the growing conclusion that these previously much-heralded devices have been oversold and underfunded. We believe this has contributed materially to the discontent that has manifested itself in the streets of the Nation, in its communities, in its city councils, and even at the level of its State governments. Consequently, we agree with the statement of the majority, made as a result of a motion by Mrs. Dwyer unanimously adopted by the committee, found on page 4 of the report, which expressed the sense of the committee as follows and which we, therefore, repeat:

> In reference to the several programs administered by the Department of Housing and Urban Development, including those which would be extended by the bill, the committee desires to call attention to the continuing dissatisfaction within the Congress and outside, the Department's apparent inability to do a more effective job of administration and coordination.
>
> The committee's hearings reveal considerable evidence of failures in program management: excessive redtape, extensive delays in processing applications, inordinately cumbersome and complicated procedural requirements.
>
> The committee strongly urges, and will expect, the Department to redouble its efforts to correct these inadequacies, to achieve a greater degree of uniformity and standardization in program requirements, to simplify procedures, to expedite the consideration of proposed projects, to provide more useful and specific assistance to communities, organizations, and individuals seeking to utilize the programs, and to enable potential beneficiaries to adapt programs more specifically to their individual needs.
>
> The committee is concerned that, in the absence of more effective efforts to eliminate these problems, the various programs we have enacted will tend to benefit exclusively those communities and groups which can afford to employ high-priced staffs and consultants whose expertise gives them a disproportionate advantage over other applicants in availing themselves of Federal assistance.
>
> At a time when limited resources and compelling needs combine to increase competition for available Federal help, the committee believes the Department must take extraordinary measures to assure both equitable treatment of applicants and the maximum effectiveness, in terms of visible results, of its programs.

A good example of the need to simplify programs is the Federal Housing Administration. For 34 years, one FHA program has been

tacked onto another until now there is such a maze of overlapping and complicated programs—some economically sound, others not—that only a handful of experts have a thorough knowledge of them. Even FHA employees in local offices have often only a fragmentary knowledge of all the different programs.

Certainly this mass of duplicating programs should be simplified so that they are understandable. We call upon the Department of Housing and Urban Development to send to this committee no later than January of 1969 legislation that would eliminate the existing duplications and reduce them to concise programs for single-family and multifamily housing, rental or sales, subsidized or unsubsidized.

We would also agree with the majority that the greatest single housing need of our Nation is decent, safe, and sanitary housing for our low-income citizens. As the minority has maintained for some time, this need will be best fulfilled by the principles inherent in homeownership and serviced by private enterprise. We intend to assist the attainment of the goal of homeownership wherever possible within reason.

We do not believe it reasonable to reach that goal if we adopt ground rules which include subsidization of 70 percent of the families of the Nation. Yet that is possible under the bill reported out by the Committee. Attempts to limit the number of families eligible to be subsidized failed in the House committee considering the legislation despite the fact that it is absurd to subsidize a potential 70 percent of the housing of the families living in this Nation.

In the course of the last few years, the administration has incessantly propagandized its desire to help the poor, even while proposing programs that will, at least in part, subsidize a select but by no means poor strata of American society. Anyone who so desires may turn to page 21 of this report and see, in black and white, how this administration proposes to give $66.83 a month subsidies to families making $7,600 a year so that they can live in apartments with a fair market rental charge of $194.42 a month. So long as the Federal Government indulges itself in this kind of gimmickry—and we believe it represents a desire of something other than helping the genuine poor—the expectancy gap between low-income housing promise and low-income housing construction will continue to grow. This sort of deceptive and wasteful housing program is the stuff of which false hopes, broken dreams, and bloody streets are fashioned. Title II of this bill is another thread in the fabric of failure to realistically deal with the Nation's low-income housing needs.

The Census Bureau, in its population survey of March 1967, showed the following median income breakdown for the 48.9 million families in the United States for 1966:

Annual income	Families	Percentage of total
Under $3,000	7,000,000	14
$3,000 to $5,000	6,800,000	14
$5,000 to $7,000	8,700,000	18
$7,000 to $10,000	11,900,000	24
$10,000 and up	14,500,000	30
Total	48,900,000	100

Note: Median income of all families, $7,400.

The above income breakdown shows that if Government-assisted housing programs are confined to families with annual incomes of $5,000 and under, as we generally believe they should be, a maximum of 28 percent of our families would possibly be eligible for such assistance.

If families making up to $7,000, close to the national median income level, are given such assistance, then 46 percent of all American families, supposedly incapable of providing for their own housing needs without Government assistance, will be subsidized.

Testimony delivered to the Senate committee during its hearings showed the quality of American housing by increments of income as follows:

Annual income	Standard units	Substandard units
Under $4,000	13,558,060	6,333,848
$4,000 to $8,000	18,991,396	1,827,169
$8,000 and over	12,000,715	312,683

This illustration would serve to show that 75 percent of substandard homes are occupied by families with income of $4,000 or less.

To us, this indicates that those families with incomes of $5,000 and under occupy most of the Nation's substandard housing. This is the income range upon which Government assistance should be concentrated. If it is not, the new lower income housing programs created in this bill will end up benefiting families who can reasonably be deemed capable of providing for themselves to the detriment of those families who truly need such assistance.

Many of our Nation's families have incomes so low that they could not be expected to bear the responsibilities and obligations of homeownership, even with Government assistance. This new program if enacted, however, should be so oriented as to reach down to the lowest income levels possible and benefit those in truly needy and deserving circumstances. It has been stated that the bill's eligibility formula will generally cover families with incomes from $3,000 to $7,000. But it is possible under the proposed legislation to aid families with incomes of $10,000. HUD proposes to do this. It has its mind on the large cities of the Nation.

Contrary to popular opinion, most of the country's substandard housing is located not in the deteriorated slum neighborhoods of our major cities, but in rural areas or small towns. Dr. Weaver, in answering to a question from Congressman Reuss, has stated that:

> In 1960, over 52 percent of the dilapidated units were in rural open country or in small towns under 2,500 population; 64 percent of the nondilapidated housing units that were deficient in plumbing facilities were also found in such localities. Conversely, only 23 percent of all the dilapidated housing in the United States was located in cities over 50,000 population—which make up the predominant part of our standard metropolitan statistical areas; and only 21 percent of the nondilapidated units that had plumbing deficiencies were in such cities. These figures show that the bulk of Amer-

ican's substandard housing is concentrated primarily in our smaller urban and rural areas.

Be that as it may, a survey of the President's Commission on Civil Disorders, covering 20 cities, showed that the median income of white families in the disturbed areas which experienced riots during 1967 was $5,335; $4,218 in the case of nonwhite families.

These are the families most liable to benefit from the values of homes that are decent, safe, and sanitary. They number almost 14 million and are more than enough to keep all of HUD's bureaucrats busy for the next decade and thereafter. HUD has been talking in terms of 6 million units in the next decade. Yet HUD has insisted that the program be sufficiently flexible to enable them to extend their assistance to families earning up to $10,000 a year which would encompass 70 percent of all families in the Nation, or some 34 million families.

Costs in such cases could be catastrophic. Far beyond not only HUD's power, but the economy of the Nation as well.

The administration has indicated that their present proposals are part and parcel of an ambitious plan to provide 6 million units of low- and moderate-income housing within the next decade. This stepped up production of housing means that the Government would, by subsidization produce on the average, 10 times what it has produced in this field in its best year to date. It also means a considerable competition with private enterprise for financing, labor, and materials. The private sector, of course, would be bound by the laws of economics which the administration would hope to disregard.

This, however, was not enough for the President's Commission on Civil Disorders, the so-called Kerner Commission. This body called for the 6 million units of housing to be produced in 5 years, at an average rate of 1.2 million housing units a year for 5 years. What this would do to the national economy in general, and the national housing industry in particular was reviewed at length by the Department of Housing and Urban Development, the testimony being filed with the Senate Committee.

The general thesis is that if it should be attempted to do in 5 years what the administration is recommending be done in 10 years the effect would be chaotic and damaging to the national economy.

Attempts, however, to complete 6 million units in either period of time would be self-defeating and damaging. There would be a sharp rise in prices. The salary rates paid to construction workers and engineers would rise accordingly and a disportionate amount of overtime work and salary compenation would occur. There is now not enough trained personnel to complete such a task and time is not available for training of the additional manpower that would be necessary.

With all reverence to past experience, it is likely that there would be a shortage of mortgage funds available for new housing, such as was experienced in the 1966–67 tight money crisis. Municipal security interest rates would rise as a result of the great increase in public housing bond issues.

Consideration also needs to be given to the housing market. Housing construction costs, labor costs, and mortgage costs will necessarily drive the cost of buying new homes up. Since the salaries of prospec-

tive buyers and renters will not have increased proportionately, the demand for housing will be much less and, therefore low- and moderate-income families will not be able for financial reasons to take advantage of the homes being built for them, even with subsidy.

Difficulties besetting the building industry and the availability of land sites would also deter the success of either the 5- or 10-year program.

There are seven major industry difficulties. In detail:

(1) Relationship to the GNP—In the past 2 years new housing unit construction account for only about 2½ percent of the GNP. Under the proposed production schedule, a comparable measurement would range from 3.3 percent in fiscal 1969 to 4.4 percent in 1973, reaching almost 5.1 percent by 1978. The economy is not flexible enough for this.

(2) Building industry capacity—The building industry might, with difficulty, handle the increased construction provided an easy mortgage and money market. But to guarantee such easy capital, considering the squeeze of the recent tight money period, would be ridiculous. The Department of Houssing and Urban Development feels that increasingly the rate of new starts—now 1,566,000—to 1,650,000 plus 50,000 public assistance rehabilitation units will not be difficult. However an 18-percent expansion of this rate has to occur in 1970 under the proposed 10-year program and a 26-percent expansion under a 5-year program. HUD's record is not reassuring.

(3) Availability of building sites—Land is available but can it be readied, as would be necessary for 6 million units in the next 5 or 10 years.

(4) Potential construction cost effects—If the annual housing starts were to increase by 20 percent in a year, proportionately other costs would rise. The prices of construction materials in such heavy demand would surely increase, likewise workers' salaries and with them the materials costs. There would be competition in the labor market. Overtime pay would hit an alltime high as construction deadlines neared.

Architects, engineers, management associations, realtors and other professional personnel connected with the housing field would command higher wages. Altogether, there would be a severe shortage in the housing manpower field leaving no replenishing force of people to train replacements.

(5) Materials availability—While the supply of building materials will not be exhausted, but obviously, the prices will go up, cheaper quality will be used.

(6) Manpower availability—On-site manpower requirements would increase from 1.1 million currently to 2.3 million by 1978. These additional personnel can be trained by the time they are needed, HUD feels, but not for a 5-year program. Their 10-year program by the same reasoning does not fare much better. Says Hud:

> It does not appear possible to more than double the labor resources for new housing construction in about 5 years, given the training periods that are required and the competition for new entrants to the labor force in a practically full employment economy.

(7) Mortgage money availability—There is not much of a question about the availability of mortgage money—while it lasts. Municipal securities will feel the press and the rates will increase accordingly.

There would be a decrease of bond sales for other urban public improvements. Although the administration's request for 6 million units—federally assisted—in the next 10 years is far more feasible than the Kerner Commission's request for a 5-year plan, neither can be realized without many more years of careful planning, spending, and coordination with current housing and rehabilitation efforts.

The committee, as did its counterpart in the Senate, cut back the suggestion of HUD that its annual support funds for public housing be increased $800 million, authorizing but half that sum—$400 million. When all increments are added the Congress, if this legislation is passed, will have authorized supporting public housing with a total annual subsidy of $950 plus million, just short of a billion dollars every year.

This is in keeping with the greatly expanded housing program which the administration proposes. It is not in keeping with the administration's performance. HUD's contribution to the total supply of public housing units has been inadequate, inept, and inefficient, totaling barely 30,000 units annually or below in the early sixties. Able to support public housing by subsidy at the present time by more than $500 million annually, actual support expenditures are less than $300 million according to the last available figures.

Another matter that has generally been overlooked in the public housing program is that the first of the 40-year public housing bonds will be completely paid off in 1981, with the bond retirement picking up an increasing tempo thereafter. Congress has not, however, made any provision for a corresponding reduction in the amount of funds that remain available for the support of the program. Congress should face up to the fact that by the turn of the century they will have created a revolving fund to which they are obligated but over which they have minimal control.

At a time when actual, available support of the program is about twice what is needed for amortization, it would seem to us that an increased funding is not needed in the amounts that the administration is requesting. The provision of units of the project type still moves slowly. Only the Republican rent certificate leasing program has shown any swiftness of operation, far outstripping the expectation of the HUD bureaucrats who opposed its enactment. Today, the leasing program is housing over 60,000 people, about seven times or more the number of the much touted rent supplement program, and at less cost per unit. The hoped for advancement of the turnkey program still shows only 3,878 units in operation. And in face of this, HUD wishes authorization annually of an additional half billion dollars and more for public housing.

The dissatisfaction with project public housing operations in the large cities is revealed in amendments adopted in committee which prohibit, without waiver by the Secretary, of the use of high-rise buildings for families with children; increases the amount of subsidy for large families and those with unusually low incomes—the latter, incidentally, being open end and without limit—the provision for the sale of public housing units to the tenants if they so desire. With these dissatisfactions manifesting themselves amongst supporters of the program and even within HUD itself, the wisdom of doubling the present support authorization appears increasingly doubtful. Obviously, both

the Congress and the Executive are searching for a better program. Why then propose to double the operation of a program that is unsatisfactory even to its sponsors?

Section 204 would authorize the Secretary of HUD to make grants to local housing authorities to assist them where necessary in upgrading their management activities and in providing tenant services. The language contained on page 67 of the bill, defining tenant services, will create wholesale envy among those paying economic rent on apartments or homes. It provides "counseling on household management, housekeeping, budgeting, money management, child care, and similar matters; advice as to resources for job training and placement, education, welfare, health, and other community services; services which are directly related to meeting tenant needs and providing a wholesome living environment, including intertenant activities; and referral to appropriate agencies when necessary for the provision of such services." There are authorized for this purpose $20 million for fiscal 1969 and $40 million for 1970. The sums will doubtless grow, if the legislation is enacted.

Regardless of the sums involved, this (204) title involves HUD in sociological work heretofore performed by local and State agencies, both private and public. The assumption of this responsibility by a Federal agency can only cause local responsibility to atrophy—and ultimately die. This to us represents an assault upon the strengths of local government, not its weakness.

This is a radical departure from the present public housing concept which limits the Federal Government's contribution to the amortization of the bonds by which funds are raised to construct public housing. It has up to now been the position that tenant services and management activities, that is salaries of local housing authority personnel, were a local responsibility to come either from rents paid, or community or State funds. At present, the Federal Government, desperate itself for money, is paying 90 percent of the cost of construction of public housing units as exemplified in the amortization of public housing bonds, close to 100 percent of the amortization in the major cities where it operates. It is now being asked to open the door to obligate itself for increasing costs in the management and service field. In a time of fiscal difficulty, this proposal would seem better directed to the States or localities, the latter being the recipient of 10 percent of all rents collected.

The 312 rehabilitation program is one which makes 3-percent residential loans up to $10,000, and business loans up to $50,000 in urban renewal and code enforcement areas. These loans are made to individuals who have not been able to obtain them otherwise. The program has stepped up the rehabilitation program considerably since being introduced as legislation in 1964 by the ranking minority member.

Mr. WIDNALL. Its expansion poses a series of problems. It is hard to go to the edge of a urban renewal or code enforcement area, stop there, and refuse to make loans to individuals across the street and outside the areas concerned, on property that needs rehabilitation just as much as do the properties within those areas.

H.R. 17989, however, is wide open on this point. Any property which is certified locally to the Secretary as being within an area having a substantial number of properties in need of rehabilitation is eligible.

This seems to be most subject to abuse. We do not even think that the Secretary could conceive of regulations that would protect any decision made by his subordinates that would protect him in this area from the charge that his authority has been misused.

We acknowledge the need to do something, but since the authorization is open ended, and since abuses of what has been a most successful program are now quite within the realm of possibility, we recommend the addition of safeguards.

We are also most concerned with the provision of up to $40 million in any fiscal year for interim assistance for blighted areas prior to the execution of urban renewal contracts. These programs would include:

"(1) the repair of streets, sidewalks, parks, playgrounds, publicly owned utilities, and public buildings to meet needs consistent with the short-term continued use of the area prior to the undertaking of the contemplated clearance or upgrading activities;

"(2) the improvement of private properties to the extent needed to eliminate the most immediate dangers to public health and safety;

"(3) the demolition of structures determined to be structually unsound or unfit for human habitation and which constitute a public nuisance and serious hazard to the public health and safety;

"(4) the establishment of temporary public playgrounds on vacant land within the area; and

"(5) the improvement of garbage and trash collection, street cleaning, and similar activities."

These activities are all needed and praiseworthy. They are also very much the business of the local community. We think this is a further encroachment by the Federal Government on activities of local government. If the Federal Government is going to pay for these rehabilitation functions the Federal Government is also going to rule them. We think the precedent is bad and should not be established.

Title V, particularly section 501, is concerned with planning, particularly that for rural communities, but would also produce another layer of planning for a variety of town, city, and area operations now existing. It is a thin rewrite of legislation first proposed in the 89th Congress. At that time, the House Agriculture Committee, narrowly reported the measure and the committee's minority had this to say about what was proposed:

> It is unnecessary and would duplicate other Federal, State, and local planning activities;
>
> It would create still more bureaucracy in the Department of Agriculture;
>
> It represents a further and unwarranted intrusion upon a responsibility that more properly should be exercised by State and local governments;
>
> It would reverse the action taken by the House Appropriations Committee and the House itself earlier this year;
>
> It is inflationary legislation that should be postponed during the critical wartime period.

The proposal did not become law and was hastily withdrawn when presented for debate.

The passage of time has only made more factual what the House Agricultural Committee's minority had to say at the time the plan-

ning feature was first proposed, leaving aside questions of jurisdiction.

The fact is that what is proposed is still another unnecessary intrusion of the Federal bureaucracy into rural, suburban, and community affairs. It would add still another layer of Government activity onto the too many layers already existing. Planning groups that have spent long hours to successfully achieve coordination would but find still another bureaucratic hurdle to negotiate before final approval. There would be still more raids into the already short supply of planners, a further escalation in salaries and Government costs. And for what? Better coordination? More assistance? We doubt it.

In the miscellaneous title, the first section is concerned with obtaining $1 billion for the model cities program. Regardless of the size of this mammoth sum, it represents underfunding of the costs of the demonstration cities program, now misnamed the model cities program for semantic reasons.

In 1966 the 15 mayors testifying before the Housing Subcommittee stated their collective needs at $11 billion. The Department of HUD has since advanced planning funds, with assurances of total funding, to 75 cities, advised that it expects to do as much for as many more cities. HUD has also now belatedly come to the realization of its need for specially earmarked urban renewal money and has upped its fund requests to include currently $350 million in addition to the $1 billion previously mentioned. The program is still underfunded—and oversold—and slow. One of the chief arguments for the enactment of its legislation originally was ironically to be its speed of operation.

HUD has funds for planning and took a year to release the first of them. It had its appropriation grants for several months and has yet to make its first to any city, although it promises to do so this summer and has released some urban renewal funds in advance of the approval of final city plans. The Congress still does not know what those plans are—how innovative they might be, as was promised—if they are grounded in economic soundness or unproved social theory—if they have lived up to the promises made by HUD for them or not.

Congress has in effect written several blank checks for this program. We do not see why it should continue to do so in the absence of knowledge as to just what is being done, and with the hopes for the program as presently constituted in such disarray. We do not quarrel with the concept of the program. We do believe that its specifics are lacking, perhaps fading into bureaucratic disrepair.

As to the making of urban renewal grants to other than public bodies, specifically nonprofit organizations, we believe that these organizations should make a better case for the granting of $20 million. We are worried that the flexible tool will become too flexible, so much so that it will resemble a boondoggle.

The granting of funds, an additional $20 million for "urban information and technical assistance services" we regard as a means of propagandizing the ways that cities and their planners may obtain Federal funds. We think it should stop.

The request for the authorization as to advances in technology in housing and urban development we do not believe should be open-ended until we have had a chance to see the results of what HUD has accomplished to date.

As far as section 1408 is concerned, we do not feel that an Assistant Secretary for Research and Technology in HUD is warranted, or has been justified by the administration. This stand is based upon two facts: The research efforts by the Department to date and the manner they are being carried out do not qualify the office for such an upgrading in status and the creation of another Secretary in the Department simply adds another layer of unneeded bureaucracy.

One of the administration's main arguments for creation of the Department at the Secretarial level was the sprawl and the overcrusted hierarchy which rendered ineffective the old Housing and Home Finance Agency. Yet the Department was barely launched with a full complement of executives before the administration comes back to the Congress with a request for more high paid officials to enlarge its web of bureaucracy, spread the confusion, and increase the costs.

In the act which created the Department, the Congress authorized five assistant secretaries. Already this year another assistant secretary has been added to carry out the Department's open housing under the Civil Rights Act of 1968. In the bill now before the Congress there is created in the Department a National Insurance Development Corporation with an executive director. This would be an appointment by the President, with the advice and consent of the Senate and would be equal to the rating of an assistant secretary. So, in effect, we are authorizing two new assistant secretaries for the Department to make a total of eight assistant secretaries for HUD, which was created as recently as November 9, 1965. In contrast is the staid old Treasury Department, still managing to get by with only five assistant secretaries.

More to the point is whether HUD's research efforts justify an assistant secretary? Not by any stretch of the imagination. The Department's research budget was jumped by the Congress from $1½ million annually to $10 million this fiscal year. HUD's officials, however did not spend the $10 million appropriated and are now seeking in this very bill to extend the authority to spend or commit the money between June 30 and the end of the next fiscal year. Obviously, they had few or no plans for real research. In addition the manner in which the office is currently administered does not inspire any outburst of confidence. Its accomplishments, if any, are shrouded in a pentagon-like air of secrecy which characterize its day-to-day operations.

Its one meager undertaking as far as we can determine is the "in-city" experimental housing research program for which bids were sought, with little notice, from a selected group of firms which are largely defense industry oriented. The traditional housing groups got shortshrift or were ignored all together. We do not even know how this experiment is developing because no program reports have been made on it. If the much desired assistant secretaries sole purpose is to sublet research to newly created firms, it all adds up to a lack of need for another assistant secretary.

We can agree with two out of three proposals made in section 1409 regarding international housing. We do not think the Secretary should be empowered to employ private persons to attend international meetings. Surely, in the thousands of HUD employees there are those that would be qualified for such purposes as would develop. If there are not, why are we bothered with international housing?

As to ending the corporate status of the U.S. Housing Authority and returning its million dollar Treasury investment to that body, inquiries as to what has become of the Authority's assets has not yet been productive. Explanations by HUD fail to deal with the Authority's corporate assets, which have been variously given as $80 to $40 million. Until the intent of the Department is spelled out to better purpose, we fail to see why Congress should be a party to the budget gimmickry which hides HUD and/or Treasury excess expenditures.

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95-157—68——23

SUPPLEMENTAL VIEWS OF REPRESENTATIVE WILLIAM B. WIDNALL TO BANKING AND CURRENCY COMMITTEE REPORT ON HOUSING ACT OF 1968

In supporting H.R. 17989, I am not unmindful of the fact that reasonable men may differ over certain provisions, or that new programs authorized or old ones extended by the measure are open to constructive criticism relating to conception and execution. On balance, however, I believe the bill is both necessary and worthwhile. It has benefited from ideas and proposals offered by the minority, and I think it is appropriate to call particular attention to this fact.

Foremost among these minority suggestions has been the concept of fostering on a major scale homeownership among low- and moderate-income citizens. Homeownership as a desirable goal is an idea deeply rooted in American tradition. For the low- and moderate-income citizen, particularly the minority group citizen, this has become increasingly the impossible dream. Statistics show that the percentage of existing one-family homes insured by FHA for families with incomes less than $4,000 fell from 42.8 percent of the total in 1950 to 1.3 percent in 1966. For new homes, the drop was from 56 percent to 1 percent in the same time period.

In order to reverse this trend, I introduced H.R. 8820, the National Home Ownership Foundation Act on April 20, 1967. One hundred thirteen other House Members, including eight members of the minority of the Banking and Currency Committee, joined in offering a similar bill at that time.

The proposal had as its basic goals the enlargement of housing opportunities and choice for our lower income families, both rural and urban. We proposed to tap private capital, private management and technical experience, and private, community-oriented initiative. The Government role was to be limited to one of stimulus and reinforcement, rather than execution and control.

FEATURES OF THE NHOF BILL

The National Home Ownership Foundation Act proposal, besides its basic change in policy advocating homeownership in contrast to traditional federally assisted renter-oriented projects, contained a number of innovative features. In summary they were as follows:

1. The establishment of the National Home Ownership Foundation, a congressionally authorized nonprofit corporation, with a board of directors drawn from the private sector. Besides making mortgage capital available, the Foundation was to conduct a technical assistance service to aid in the development and formation of low- and moderate-income homeownership programs, including interim planning loans, and the conduct of supporting programs in such fields as training, employment, credit counseling, and budget management to enable lower income families to assume the privileges and responsibilities of homeownership.

2. Authority to the Foundation to raise $2 billion in mortgage loan funds through the sale of its debentures, guaranteed by the Federal Government to supplement available moneys from existing mortgage lending institutions. The object was to bring together in one coordi-

nated effort, and one pool of funds, sufficient capital to carry out a major lower income homeownership program. It was expected that the federally guaranteed bonds, carrying a market rate of return, would attract new capital, for the mortgage market, from such sources as union pension funds.

3. A market-interest rate mortgage, with a direct subsidy paid by the Treasury to the holder of the mortgage, thus lowering the interest rate and monthly payments for the home buyer. The purpose was to avoid the major budget impact that accompanies the use of the below-market-interest rate mortgage program involving Federal National Mortgage Association purchase of these mortgages utilizing special assistance funds. Thus, each Federal dollar would have a multiplier effect many times greater than the BMIR mortgage purchase dollar, a major accomplishment in a time of expenditure curtailment. The interest subsidy would be repaid into a revolving fund, if and as the buyer reached an adequate income level, prescribed as 70 percent of existing 221(d)(3) program income limits.

4. Maximum utilization of community-based or neighborhood nonprofit corporations, including technical assistance for their development and operation of lower income homeownership programs. This would also provide an opportunity for the prospective home buyers in the area to have a voice in the conduct of the program. It would also enlist the aid, expertise, and financial backing of local community leaders in Government, business, labor, civic organizations, the professions and the like, to build a partnership within the private sector at the national and local levels.

5. Authority to develop a program of mortgage equity payment insurance, to protect the home buyer from losses of income due to illness, death, unemployment, and other causes not within the home buyer's control. To the greatest extent possible, the Foundation was directed to work out the program with the private insurance industry, and report back to Congress.

6. Utilization of the urban renewal program as a means of obtaining land and buildings at reasonable prices to lower the cost of construction, rehabilitation, or the use of existing housing for the homeownership program.

7. Increase employment opportunities and the use of self-help for area low-income residents and prospective home buyers.

SIMILARITIES WITH THE PRESENT BILL

Although the Department of Housing and Urban Development greeted the NHOF proposal last year with skepticism both for its technical provisions and its goal of lower income homeownership, sufficient support from a variety of groups and individuals within the American public appear to have changed the administration's mind. The cumulative result can be seen in H.R. 17989. In summary, the similarities between the committee bill and the proposal outlined above are as follows:

1. The committee bill establishes, in title I, section 107, a National Home Ownership Foundation. Its purposes follow those suggested for the technical assistance service under the minority's NHOF bill of last year. The Foundation is directed to encourage and assist public

and private bodies at the national, community, and neighborhood levels in initiating, developing, and conducting programs to expand low-income homeownership and housing opportunities. This includes arrangements for technical and managerial assistance and training, aid in finding mortgage financing, insurance, and the like, encouraging research and innovation, collecting and distributing information, and assistance in expanding job opportunities.

The Foundation may make loans or grants to cover organizational or administrative expenses for homeownership programs, necessary preconstruction costs including land options, architectural fees, and similar items, and the costs of providing counseling to lower income families in budget management, home maintenance, and home management. The bill authorizes $10 million in appropriations.

2. The committee bill, in title VII, authorizes the new Government National Mortgage Association to guarantee securities issued by FNMA or other private issuers, backed by a pool of FHA and VA loans or mortgages. The purpose is the same as that of the NHOF-guaranteed debentures suggested by the minority; namely, to increase the supply of mortgage funds and tap new sources such as pension funds. It is permissive only, limited in scope, and the funds raised would not be limited to use for lower income homeownership. The Department, in the hearings, admitted to not knowing what amount of additional funds this approach might attract.

As a result, it is unlikely that the massive attraction of new funds for lower income homeownership envisioned by the sponsors of the National Home Ownership Foundation Act last year will occur under this bill. The FHA insurance provisions in title I also depend upon existing lenders and mortgage money supply. This makes all the more important the direction in section 107(f)(2) to the Foundation to report to the Congress whenever insufficient funding is available for lower income homeownership purposes. The Foundation is also directed to make recommendations for alternate means of securing adequate financing.

3. The committee bill, in title VIII, authorizes the establishment of a private corporation for profit which is designed to encourage a partnership approach among interests in the private sector at the national and local level, in order to encourage low-income housing. Part of the purpose of the National Home Ownership Foundation authorized by the bill is also to encourage private involvement, including the development of neighborhood organizations interested in homeownership programs, which would involve the citizens themselves from the area. Maximum utilization of area residents or the lower income families to be served by the program is not pronounced as a major goal in the committee bill, however, in contrast to the NHOF proposal of last year.

5. By amendment to title I (sec. 109) offered by Representative Garry Brown, of Michigan, the minority obtained inclusion in the bill of an authorization to the Secretary of HUD to develop, in cooperation with the private insurance industry, a plan of insurance to help homeowners meet mortgage payments in times of personal economic adversity.

The Secretary is directed to report back within 6 months on his actions. This provision was secured in the bill despite the objections

of the Department of Housing and Urban Development, objections which, in turn, persisted, despite the evidence that such a plan was necessary and capable of being established, and despite a favorable report in the early 1960's, commissioned by the Housing and Home Finance Agency, forerunner of HUD.

6. The committee bill, in section 405, amends the urban renewal law to permit land to be sold to qualified low-income mortgagors and nonprofit sponsors of homeownership program and, by an amendment I offered, private homebuilders acquiring land for subsequent resale to low- and moderate-income home buyers.

7. By an amendment which I offered, section 3 was added to H.R. 17989 which requires, to the greatest extent feasible, the employment of lower income residents from the area served not only by homeownership activity but other federally assisted housing projects as well, in jobs created by these projects. The possibility of the home buyer contributing his own labor toward the cost of his housing has also been recognized in section 2 and in title I.

CAN HUD CARRY OUT THE PROGRAM?

One of the purposes behind establishing the National Home Ownership Foundation in the minds of its cosponsors last year, was to provide a quasi-public alternative to direct Federal bureaucratic control by the Department of Housing and Urban Development. The sponsors of the NHOF bill were not alone in questioning the capacity or will of the Department to carry out an expanded program of housing for low-income citizens. This presents a considerable challenge to the Department, in carrying out the proposals authorized in H.R. 17989.

While the Department's testimony before our committee has been reassuring, the continued opposition of HUD to my 1966 amendment requiring a substantial number of low- and moderate-income housing in each predominantly residential urban renewal project has had the opposite effect. As the committee report notes, the definition of substantial as only 20 percent of the project units is hardly in keeping with the dramatic need for more and better housing for our underprivileged citizens. The change contemplated by section 413 of this bill increases this percentage to 51 or better for the aggregate number of units in approved projects within a community; that is, projects which have had their plans approved by the Department, not those which are only in the planning stage. The new amendment, worked out in conjunction with Representative Henry Reuss, of Wisconsin, as a bipartisan statement of congressional intent, also contains a 20-percent minimum aggregate for low-income housing suggested by Representative William Brock, of Tennessee. It is perhaps the best example I know of in the bill of bipartisan, congressional initiative in the legislative field. Certainly, all of the other low-cost housing programs will come to naught if land or structures are not assembled and made available at low cost, which is the major benefit of urban renewal use.

Two other amendments which I offered and which have been accepted in title I deserve mention, if only because of the opposition by HUD to their inclusion. The first opens the homeownership sections

up to utilization of existing housing, as well as housing involving new construction or substantial rehabilitation. A survey made by my office among District of Columbia real estate agencies indicated the availability of houses selling for under $18,000 and needing little repair, if any. It also uncovered the potential availability of many more renter-occupied houses, which would come on the market if these very same renters had access to mortgage funds. Negro real estate brokers were particularly conscious of this opportunity. The use of existing housing will also mean, as the U.S. Civil Rights Commission has pointed out, the immediate implementation of the new homeownership program. Certainly in this time of tension and trouble within our cities, any tool that can provide an immediate impact, and thus new hope to the less fortunate, should be welcomed. Will the Department of Housing and Urban Development heed this opportunity? Only time will tell.

Another amendment makes nonprofit groups eligible for inclusion in the program for homeownership financing that wish to use existing housing instead of taking on the task of rehabilitation in a multiunit project. It is my expectation that as these nonprofit groups, whether church or labor union, or civic association sponsors, gain in confidence and experience, they will move on to the more demanding but no less important task of increasing the supply of standard housing for homeownership purposes.

THE RENT CERTIFICATE PROGRAM

In 1964, I, with other members of the Republican minority introduced the rent certificate plan. It became legislation in 1965 and has since made a great record for something that was opposed by the administration and generally not promoted by them. To date, it has far outstripped its campanion legislation, rent supplements, in terms of people housed, having provided shelter for over 16,000 families while the rent supplement total is just over 2,500. This means that the rent certificate program is responsible for placing over 60,000 people in decent, safe, and sanitary housing that they did not have previously.

In the present bill there are three sections, 208, 209, and 210 which are perfecting amendments that I introduced to facilitate the operation of the program.

Where the Secretary had previously restricted the program in certain localities to rehabilitated housing, on the completely unjustified claim that it would cause rents to rise, section 208 makes clear that he can no longer impose such regulations unless it is specifically so provided in the act.

Where HUD had taken the position that it could not use the program unless in quantities of 10 or more units, section 209 makes clear that it can.

In section 210, we have acted to enable tenants to become purchasers of the homes they occupy through the medium of the local housing authority. This innovation was prompted by spontaneous offers from builders in all parts of the country, attracted by the economics of the operation, to build for leasing purposes.

Now where the housing authority deems it advisable, it may include in its lease an option to purchase to be exercised when desirable in behalf of the tenant.

This latter provision could be used even in multi-family structures where tenants, so desiring to act, occupy units having more than 80 percent of the total value of the structure.

WATER AND SEWER GRANTS

Section 505 ups the matching sewer and water grants from $200 million annually to $500 million annually. I do not particularly like to increase authorizations beyond departmental recommendations. In the case of this program, however, I am quite ready to make an exception. This is a vital program. Upon it have depended at times, the question of whether or not a city would have to import water for drinking purposes.

The administration has not only given this program a low priority. It has asked for only half the funds which Congress authorized when appearing before the Appropriations Committee. This in the face of applications from needy communities which numbered over $4 billion. There is to my knowledge not a single congressional district that does not have an application for water-and-sewer funds and many are most desperate. Under the circumstances, I think the increase I have suggested is most modest and I know it is badly needed.

NATIONAL FLOOD INSURANCE

It was with a deep sense of personal satisfaction to me that the Committee on Banking and Currency adopted my amendment, in the form of a proposed title XI, National Flood Insurance.

Members of the House will recall that the proposed national flood inssurance legislation passed the House—H.R. 11197—and the Senate in 1967 but because of far-reaching changes made by a House floor amendment in the financing mechanism in the House bill efforts to resolve the differences between the House and Senate versions in conference have been abandoned. In short, prior to inclusion of title XI in H.R. 17989, most observers conceded that flood insurance legislation had little if any chance of enactment in the 90th Congress.

As an original cosponsor of a national flood insurance program, the events leading up to the current legislative statement are indeed regrettable. Within the past month, the State of New Jersey experienced its worst natural disaster of the 20th century, sustaining more than $150 million in flood damage to private and public property. Having personally witnessed the human tragedy and widescale property damage in the wake of these devastating floods, my belief in the urgency of a national flood insurance program was further sustained.

When the House last November rejected the proposed financing through Treasury borrowing authority contained in the flood insurance bill, the circumstances surrounding that action were far different than those which prevail today. I refer to title X of the proposed housing bill where the Congress is being asked to approve Treasury borrowing authority in order to finance a national program of riot re-

insurance. While I support title X, I think it would be uncharacteristically inconsistent for a majority of the House of Representatives to support Treasury borrowing authority for riot insurance, while rejecting this form of financing for a national flood insurance program of far more modest proportions.

In this regard, we should keep in mind that flood insurance proposals have been before the Congress for more than 10 years, long before any thought whatsoever was being given to the need for a Federal program of riot insurance.

Stated in its most candid terms, if the Congress of the United States can see its way clear to underwrite insurance protection again lawlessness in our cities, it can ill afford to turn a cold shoulder on the personal grief and tragedy of those of our law-abiding, taxpaying citizens who experience huge property losses caused by floods, or by what are said to be "acts of God."

INDIVIDUAL VIEWS OF REPRESENTATIVE FLORENCE P. DWYER

Having joined with and supported the ranking minority member—Mr. Widnall—in the many very constructive contributions he has made to the present bill and to previous housing legislation, I desire to associate myself with his individual views.

I am also in general agreement with most of the criticisms of existing programs and of specific provisions in H.R. 17989 expressed in the minority views, and I intend to support amendments to the bill offered on the House floor which would improve the legislation.

In the final analysis, however, Members must make a judgment whether the legislation as a whole deserves to be supported or opposed. It is my own judgment that, especially if the bill can be improved through the amending process, the good can outweigh the bad. If we are to move ahead and make visible progress in meeting the critical housing and urban needs of our people, most existing housing programs must be extended and most of the new programs proposed in the bill must be authorized. Within our financial capacity, we must do everything we can to help.

By the same token, however, neither Congress nor the Department of Housing and Urban Development can afford to close its eyes to the very substantial roadblocks to progress posed by existing failures in program management, including excessive "red tape," extensive delays in processing applications, and inordinately cumbersome and complicated procedural requirements. I was, therefore, especially pleased that the committee approved my motion to bring these inadequacies strongly to the attention of the Department. Much of our effort will continue to be frustrated, tax revenues will be wasted, and our promises to the people will remain unfulfilled unless these deficiencies are corrected.

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House Calendar No. 636

90TH CONGRESS
2D SESSION

H. R. 17989

[Report No. 1585]

IN THE HOUSE OF REPRESENTATIVES

JUNE 19, 1968

Mr. PATMAN (for himself, Mr. BARRETT, Mrs. SULLIVAN, Mr. REUSS, Mr. ASHLEY, Mr. MOORHEAD, Mr. ST GERMAIN, Mr. GONZALEZ, Mr. MINISH, Mr. HANNA, Mr. ANNUNZIO, Mr. REES, Mr. WOLFF, Mr. HALPERN, Mr. FRIEDEL, and Mr. PEPPER) introduced the following bill; which was referred to the Committee on Banking and Currency

JUNE 25, 1968

Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

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A BILL

To assist in the provision of housing for low and moderate income families, and to extend and amend laws relating to housing and urban development.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Housing and Urban Development Act of 1968".

DECLARATION OF POLICY

SEC. 2. The Congress affirms the national goal, as set forth in section 2 of the Housing Act of 1949, of "a decent home and a suitable living environment for every American family".

The Congress finds that this goal has not been fully realized for many of the Nation's lower income families; that this is a matter of grave national concern; and that there exist in the public and private sectors of the economy the resources and capabilities necessary to the full realization of this goal.

The Congress declares that in the administration of those housing programs authorized by this Act which are designed to assist families with incomes so low that they could not otherwise decently house themselves, and of other Government programs designed to assist in the provision of housing for such families, the highest priority and emphasis should be given to meeting the housing needs of those families for which the national goal has not become a reality; and in the carrying out of such programs there should be the fullest practicable utilization of the resources and capabilities of private enterprise and of individual self-help techniques.

JOBS IN HOUSING; EMPLOYMENT OPPORTUNITIES FOR LOWER INCOME PERSONS IN CONNECTION WITH ASSISTED PROJECTS

SEC. 3. In the administration of the programs authorized by sections 235 and 236 of the National Housing Act, the below-market interest rate program under section 221 (d) (3) of such Act, the low-rent public housing program under the United States Housing Act of 1937, and the rent supple-

ment program under section 101 of the Housing and Urban Development Act of 1965, the Secretary of Housing and Urban Development shall require that, to the greatest extent feasible, opportunities for employment arising in connection with the construction or rehabilitation of projects assisted under such programs be given to lower income persons residing in the area of such projects.

IMPROVED ARCHITECTURAL DESIGN IN GOVERNMENT HOUSING PROGRAMS

SEC. 4. The Congress finds that Federal aids to housing have not contributed fully to improvement in architectural standards. This objective has been contemplated in Federal housing legislation since the establishment of mortgage insurance through the Federal Housing Administration.

The Congress commends the Department of Housing and Urban Development for its recent efforts to improve architectural standards through competitive design awards and in other ways but at the same time recognizes that this important objective requires high priority if Federal aid is to make its full communitywide contribution toward improving our urban environment.

The Congress further finds that even within the necessary budget limitations on housing for low and moderate income families architectural design could be improved not only

to make the housing more attractive but to make it better suited to the needs of occupants.

The Congress declares that in the administration of housing programs which assist in the provision of housing for low and moderate income families, emphasis should be given to encouraging good design as an essential component of such housing and to developing housing which will be of such quality as to reflect its important relationship to the architectural standards of the neighborhood and community in which it is situated, consistent with prudent budgeting.

TITLE I—LOW AND MODERATE INCOME HOUSING

HOMEOWNERSHIP FOR LOW AND MODERATE INCOME FAMILIES

SEC. 101. (a) Title II of the National Housing Act is amended by adding at the end thereof the following new section:

"HOMEOWNERSHIP FOR LOW AND MODERATE INCOME FAMILIES

"SEC. 235. (a) For the purpose of assisting low and moderate income families in acquiring homeownership or in acquiring membership in a cooperative association operating a housing project, the Secretary is authorized to make, and to contract to make, periodic assistance payments on behalf of such homeowners and cooperative members. The assist-

ance shall be accomplished through payments to mortgagees holding mortgages meeting the special requirements specified in this section.

"(b) To qualify for assistance payments, the homeowner or the cooperative member shall be of low or moderate income and satisfy eligibility requirements prescribed by the Secretary, and—

"(1) the homeowner shall be a mortgagor under a mortgage which meets the requirements of and is insured under subsection (i) or (j) (4) of this section: *Provided,* That a mortgage meeting the requirements of subsection (i) (3) (A) of this section but insured under section 237 may qualify for assistance payments if such mortgage was executed by a mortgagor who is determined not to be an acceptable credit risk for mortgage insurance purposes (but otherwise eligible) under subsection (j) (4) of this section or under section 221 (d) (2) or 234 (c) and accepted as a reasonably satisfactory credit risk under section 237; or

"(2) the cooperative association of which the family is a member shall operate a housing project the construction or substantial rehabilitation of which has been financed with a mortgage insured under section 213 and which has been completed within two years prior to the filing of the application for assistance payments and the

dwelling unit has had no previous occupant other than the family: *Provided,* That assistance payments may be made with respect to a dwelling unit in an existing cooperative project which meets such standards as the Secretary may prescribe: *Provided further,* That a preference shall be given in contracting to make periodic assistance payments under this section to a family which qualifies as a displaced family as defined in section 221 (f), or a family which includes five or more minor persons, or a family occupying low-rent public housing: *Provided further,* That the amount of the mortgage attributable to the dwelling unit shall involve a principal obligation not in excess of $15,000 ($17,500 in any geographical area where the Secretary authorizes an increase on the basis of a finding that cost levels so require), except that with respect to any family with five or more persons the foregoing limits shall be $17,500 and $20,000, respectively.

"(c) The assistance payments to a mortgagee by the Secretary on behalf of a mortgagor shall be made during such time as the mortgagor shall continue to occupy the property which secures the mortgage: *Provided,* That assistance payments may be made on behalf of a homeowner who assumes a mortgage insured under subsection (j) (4) with respect to which assistance payments have been made on behalf of the

previous owner, if the homeowner is approved by the Secretary as eligible for receiving such assistance. The payment shall be in an amount not exceeding the lesser of—

"(1) the balance of the monthly payment for principal, interest, taxes, insurance, and mortgage insurance premium due under the mortgage remaining unpaid after applying 20 per centum of the mortgagor's income: *Provided,* That, in determining a mortgagor's income for the purposes of this paragraph, there shall be deducted an amount equal to $200 for each minor person who is a member of the immediate family of, and living with, the mortgagor, and the earnings of any such minor person shall not be included in the income of such mortgagor; or

"(2) the difference between the amount of the monthly payment for principal, interest, and mortgage insurance premium which the mortgagor is obligated to pay under the mortgage and the monthly payment for principal and interest which the mortgagor would be obligated to pay if the mortgage were to bear interest at the rate of 1 per centum per annum.

"(d) Assistance payments to a mortgagee by the Secretary on behalf of a family holding membership in a cooperative association operating a housing project shall be made only during such time as the family is an occupant of such project and shall be in amounts computed on the basis

of the formula set forth in subsection (c) applying the cooperative member's proportionate share of the obligations under the project mortgage to the items specified in the formula.

"(e) The Secretary may include in the payment to the mortgagee such amount, in addition to the amount computed under subsection (c), (d), or (j) (7), as he deems appropriate to reimburse the mortgagee for its expenses in handling the mortgage.

"(f) Procedures shall be adopted by the Secretary for recertifications of the mortgagor's (or cooperative member's) income at intervals of two years (or at shorter intervals where the Secretary deems it desirable) for the purpose of adjusting the amount of such assistance payments within the limits of the formula described in subsection (c).

"(g) The Secretary shall prescribe such regulations as he deems necessary to assure that the sales price of, or other consideration paid in connection with, the purchase by a homeowner of the property with respect to which assistance payments are to be made is not increased above the appraised value on which the maximum mortgage which the Secretary will insure is computed.

"(h) There are authorized to be appropriated such sums as may be necessary to carry out the provisions of this section, including such sums as may be necessary to make the

assistance payments under contracts entered into under this section. The aggregate amount of contracts to make such payments shall not exceed amounts approved in appropriation Acts, and payments pursuant to such contracts shall not exceed $75,000,000 per annum prior to July 1, 1969, which maximum dollar amount shall be increased by $100,000,000 on July 1, 1969, and by $125,000,000 on July 1, 1970.

"(i) (1) The Secretary is authorized, upon application by the mortgagee, to insure a mortgage executed by a mortgagor who meets the eligibility requirements for assistance payments prescribed by the Secretary under subsection (b). Commitments for the insurance of such mortgages may be issued by the Secretary prior to the date of their execution or disbursement thereon, upon such terms and conditions as the Secretary may prescribe.

"(2) To be eligible for insurance under this subsection, a mortgage shall meet the requirements of section 221 (d) (2) or 234 (c), except as such requirements are modified by this subsection.

"(3) A mortgage to be insured under this subsection shall—

"(A) involve a single-family dwelling which has been approved by the Secretary prior to the beginning of construction or substantial rehabilitation, or a two-

family dwelling one of the units of which is to be occupied by the owner if the dwelling is purchased with the assistance of a nonprofit organization and is approved by the Secretary prior to the beginning of substantial rehabilitation, or a one-family unit in a condominium project (together with an undivided interest in the common areas and facilities serving the project) which is released from a multifamily project the construction or substantial rehabilitation of which has been completed within two years prior to the filing of the application for assistance payments with respect to such family unit and the unit has had no previous occupant other than the mortgagor: *Provided,* That the mortgage may involve an existing dwelling or a family unit in an existing condominium project if the dwelling or family unit meets such standards as the Secretary may prescribe, or if assistance payments have been made on behalf of the previous owner of the dwelling or family unit with respect to a mortgage insured under subsection (j) (4): *Provided further,* That a preference in extending mortgage insurance under this subsection shall be given to a mortgagor who qualifies as a displaced family as defined in section 221 (f), or a family which includes five or more minor persons, or a family occupying low-rent public housing: *Provided further,* That the mortgage

may involve a dwelling unit in an existing project covered by a mortgage insured under section 236 or in an existing project receiving the benefits of financial assistance under section 101 of the Housing and Urban Development Act of 1965;

"(B) where it is to cover a one-family unit in a condominium project, have a principal obligation not exceeding $15,000 ($17,500 in any geographical area where the Secretary authorizes an increase on the basis of a finding that cost levels so require), except that with respect to any family with five or more persons the foregoing limits shall be $17,500 and $20,000, respectively; and

"(C) be executed by a mortgagor who shall have paid (i) in the case of a displaced family as defined in section 221(f), at least $200, or (ii), in the case of any other family, at least 3 per centum (or such larger amount as the Secretary may require) of the Secretary's estimate of the cost of acquisition, in cash or its equivalent, which amount in either instance may be applied for the payment of settlement costs and initial payments for taxes, hazard insurance, mortgage insurance premiums, and other prepaid expenses.

"(j) (1) In addition to mortgages insured under the provisions of subsection (i), the Secretary is authorized,

upon application by the mortgagee, to insure a mortgage (including advances under such mortgage during rehabilitation) which is executed by a nonprofit organization to finance the purchase of housing, and the rehabilitation of such housing if it is deteriorating or substandard, for subsequent resale to low or moderate income home purchasers who meet the eligibility requirements for assistance payments prescribed by the Secretary under subsection (b). Commitments for the insurance of such mortgages may be issued by the Secretary prior to the date of their execution or disbursement thereon, upon such terms and conditions as the Secretary may prescribe.

"(2) To be eligible for insurance under paragraph (1) of this subsection, a mortgage shall—

"(A) be executed by a private nonprofit organization, approved by the Secretary, for the purpose of financing the purchase (with the intention of subsequent resale), and rehabilitation where the housing involved is deteriorating or substandard, of property comprising one or more tracts or parcels, whether or not contiguous, consisting of (i) four or more single-family dwellings of detached, semidetached, or row construction, or (ii) four or more one-family units in a structure or structures for which a plan of family unit ownership approved by the Secretary is established; except that in a case not

involving the rehabilitation of deteriorating or substandard housing the property purchased may consist of one or more such dwellings or units;

"(B) be in a principal amount not exceeding the appraised value of the property at the time of its purchase under the mortgage plus the estimated cost of any rehabilitation;

"(C) bear interest (exclusive of premium charges for insurance and service charge, if any) at not to exceed such per centum per annum (not in excess of 6 per centum), on the amount of the principal obligation outstanding at any time, as the Secretary finds necessary to meet the mortgage market;

"(D) provide for complete amortization (subject to paragraph (4) (E)) by periodic payments within such term as the Secretary may prescribe; and

"(E) provide for the release of individual single-family dwellings from the lien of the mortgage upon their sale in accordance with paragraph (4).

"(3) No mortgage shall be insured under paragraph (1) unless the mortgagor shall have demonstrated to the satisfaction of the Secretary that (A) the property involved is located in a neighborhood which is sufficiently stable and contains sufficient public facilities and amenities to support long-term values, or (B) the purchase or rehabilitation of

such property plus the mortgagor's related activities and the activities of other owners of housing in the neighborhood, together with actions to be taken by public authorities, will be of such scope and quality as to give reasonable promise that a stable environment will be created in the neighborhood.

"(4) (A) No mortgage shall be insured under paragraph (1) unless the mortgagor enters into an agreement, satisfactory to the Secretary, that it will offer to sell the dwellings involved, after purchase and upon completion of any rehabilitation, to low or moderate income individuals or families meeting the eligibility requirements established by the Secretary under subsection (b).

"(B) The Secretary is authorized to insure under this paragraph mortgages executed to finance the sale of individual dwellings to low or moderate income purchasers as provided in subparagraph (A). Any such mortgage shall—

"(i) be in a principal amount not in excess of that portion of the unpaid principal balance of the blanket mortgage covering the property which is allocable to the individual dwelling involved;

"(ii) bear interest at the same rate as the blanket mortgage; and

"(iii) provide for complete amortization by periodic payments within a term equal to the remaining term

(determined without regard to subparagraph (E)) of such blanket mortgage.

"(C) The price for which any individual dwelling is sold under this paragraph shall be in an amount equal to that portion of the unpaid principal balance of the blanket mortgage covering the property which is allocable to the dwelling plus such additional amount, not less than $200 (which may be applied in whole or in part toward closing costs), as the Secretary may determine to be reasonable.

"(D) Upon the sale under this paragraph of any individual dwelling, such dwelling shall be released from the lien of the blanket mortgage. Until all of the individual dwellings in the property covered by the blanket mortgage have been sold, the mortgagor shall hold and operate the dwellings remaining unsold at any given time, in such manner and under such terms as the Secretary may prescribe, as though they constituted rental units.

"(E) Upon the sale under this paragraph of all the individual dwellings in the property covered by the blanket mortgage and the release of all individual dwellings from the lien of the blanket mortgage, the insurance of the blanket mortgage shall be terminated and no adjusted premium charge shall be charged by the Secretary upon such termination.

"(5) Where the Secretary has approved a plan of family unit ownership, the terms 'single-family dwelling', 'single-family dwellings', 'individual dwelling', and 'individual dwellings' shall mean a family unit or family units, together with the undivided interest (or interests) in the common areas and facilities.

"(6) For purposes of this subsection, the terms 'single-family dwelling' and 'single-family dwellings' (except for purposes of paragraph (5)) shall include a two-family dwelling which has been approved by the Secretary if one of the units is to be occupied by the owner.

"(7) In addition to the assistance payments authorized under subsection (b), the Secretary may make such payments to a mortgagee on behalf of a nonprofit organization which is a mortgagor under the provisions of paragraph (1) in an amount not exceeding the difference between the monthly payment for principal, interest, and mortgage insurance premium which the mortgagor is obligated to pay under the mortgage and the monthly payment for principal and interest such mortgagor would be obligated to pay if the mortgage were to bear interest at the rate of 1 per centum per annum.

"(k) The Secretary shall from time to time allocate and transfer to the Secretary of Agriculture, for use (in accordance with the terms and conditions of this section) in

rural areas and small towns, a reasonable portion of the total authority to contract to make assistance payments as approved in appropriation Acts under subsection (h)."

(b) (1) Section 221 (d) (2) (A) of the National Housing Act is amended—

(A) by striking out "not to exceed (i) $12,500" and inserting in lieu thereof "not to exceed (i) $15,000 (or $17,500, if the mortgagor's family includes five or more persons)"; and

(B) by striking out "not to exceed $15,000" in the second proviso and inserting in lieu thereof "not to exceed $17,500 (or $20,000 if the mortgagor's family includes five or more persons)".

(2) Section 221 (d) (2) (B) of such Act is amended—

(A) by inserting ", in cash or its equivalent" before the semicolon after "acquisition cost" in the first proviso; and

(B) by inserting before the semicolon after "appraised value" at the end thereof the following: ": *Provided further*, That, if the mortgagor is the owner and an occupant of the property, such mortgagor shall to the maximum extent feasible be given the opportunity to contribute the value of his labor as equity in such dwelling".

(c) (1) Section 221 (h) (5) (B) (ii) of such Act is amended to read as follows:

"(ii) bear interest at the same rate as the principal mortgage or such lower rate, not less than 1 per centum, as the Secretary may prescribe if in his judgment the purchaser's income is sufficiently low to justify the lower rate, and provide for complete amortization within a term equal to the remaining term (determined without regard to subparagraph (E)) of such principal mortgage."

(2) Section 221 (h) (4) of such Act is amended by striking out "$20,000,000" and inserting in lieu thereof "$50,000,000".

(3) Section 221 (h) of such Act is further amended by adding at the end thereof the following new paragraph:

"(6) In addition to the mortgages that may be insured under paragraphs (1) and (5), the Secretary is authorized to insure under this subsection, upon such terms and conditions as he may prescribe, mortgages which are executed by individuals or families that meet the income criteria prescribed in paragraph (5) (A) and are executed for the purpose of financing the rehabilitation or improvement of single-family dwellings of detached, semidetached, or row construction that are owned and occupied in each instance by

a mortgagor who has purchased the dwelling from a non-profit organization of the type described in this subsection. To be eligible for such insurance, a mortgage shall—

"(A) be in a principal amount not exceeding the lesser of $15,000 or the sum of the estimated cost of repair and rehabilitation and the Secretary's estimate of the value of the property before repair and rehabilitation, except that in no case involving refinancing shall such mortgage exceed such estimated cost of repair and rehabilitation and the amount (as determined by the Secretary) required to refinance existing indebtedness secured by the property;

"(B) bear interest (exclusive of premium charges for insurance and service charge, if any) at 3 per centum per annum or such lower rate, not less than 1 per centum, as the Secretary may prescribe if in his judgment the mortgagor's income is sufficiently low to justify the lower rate;

"(C) involve a mortgagor that shall have paid on account of the property at the time of the rehabilitation such amount (which shall not be less than $200 in cash or its equivalent, but which may be applied in whole or in part toward closing costs) as the Secretary may de-

termine to be reasonable and appropriate under the circumstances; and

"(D) contain a provision that if the low-income mortgagor does not continue to occupy the property, the interest rate shall increase to the highest rate permissible under this section and the regulations of the Secretary effective at the time of commitment for insurance of the mortgage; except that the increase in interest rate shall not be applicable if the property is sold and the purchaser is (i) a nonprofit organization which has been engaged in purchasing and rehabilitating deteriorating and substandard housing with financing under a mortgage insured under paragraph (1) of this subsection, (ii) a public housing agency having jurisdiction under the United States Housing Act of 1937 over the area where the dwelling is located, or (iii) a low-income purchaser approved for the purposes of this paragraph by the Secretary."

(4) The purchase of any individual dwelling, sold by a nonprofit organization pursuant to the provisions of section 221(h)(5) of the National Housing Act after the date of enactment of this section, may be financed with a mortgage insured under the provisions of section 235(j)(4) of such Act, but such mortgage shall bear interest at the rate provided in section 235(j)(2)(C) of such Act.

(d) Section 212(a) of such Act is amended by inserting "or section 235(j)(1)" after "subsection (h)(1)" each place it appears.

(e) The Secretary of Housing and Urban Development is authorized to provide, or contract with public or private organizations to provide, such budget, debt management, and related counseling services to mortgagors whose mortgages are insured under section 235(i) or 235(j)(4) of the National Housing Act as he determines to be necessary to assist such mortgagors in meeting the responsibilities of homeownership. There are authorized to be appropriated such sums as may be necessary to carry out the provisions of this subsection.

CREDIT ASSISTANCE

SEC. 102. (a) Title II of the National Housing Act is amended by adding after section 236 (as added by section 201 of this Act) the following new section:

"SPECIAL MORTGAGE INSURANCE ASSISTANCE

"SEC. 237. (a) The purpose of this section is to help provide adequate housing for families of low and moderate income, including those who, for reasons of credit history, irregular income patterns caused by seasonal employment, or other factors, are unable to meet the credit requirements of the Secretary for the purchase of a single-family home financed by a mortgage insured under section 203, 220,

221, 234, or 235 (j) (4), but who, through the incentive of homeownership and counseling assistance, appear to be able to achieve homeownership.

"(b) The Secretary is authorized upon application by the mortgagee to insure under this section any mortgage meeting the requirements of this section.

"(c) To be eligible for insurance under this section, a mortgage shall—

"(1) meet the requirements of section 203, 220 (d) (3) (A), 221 (d) (2), 221 (h) (5), 221 (i), 234 (c), or 235 (j) (4) except as such requirements are modified by this section;

"(2) involve a principal obligation (including such initial service charges, and such appraisal, inspection, and other fees, as the Secretary shall approve) in an amount not to exceed $15,000: *Provided,* That the Secretary may increase the amount to not exceed $17,500 in any geographical area where he finds that cost levels so require: *Provided further,* That no mortgage meeting the requirements of section 203 (h) or 203 (i) shall be eligible for insurance under this section if its principal obligation is in excess of the maximum limits prescribed in such section;

"(3) be executed by a mortgagor who the Secretary has determined, after a full and complete study of

the case, would not be an acceptable credit risk for mortgage insurance purposes under section 203, 220, 221, 234, or 235 (j) (4), because of his credit standing, debt obligations, total annual income, or income characteristics, but who the Secretary is satisfied would be a reasonably satisfactory credit risk, consistent with the objectives stated in subsection (a), if he were to receive budget, debt management, and related counseling: *Provided,* That, in determining whether the mortgagor is a reasonably satisfactory credit risk, the Secretary shall review the credit history of the applicant giving special consideration to those delinquent accounts which were ultimately paid by the applicant and to extenuating factors which may have caused credit accounts of the applicant to become delinquent; and the Secretary shall also give special consideration to income characteristics of applicants whose total income over the two years prior to their applications has remained at levels of eligibility (as required under paragraph (4) of this subsection), but who, because of the character of their seasonal employment or for other reasons, have not maintained continuous employment under one employer during that time; and

"(4) require monthly payments which, in combination with local real estate taxes on the property in-

volved, do not exceed 25 per centum of the applicant's income, based on his average monthly income during the year prior to his application or the average monthly income during the three years prior to his application, whichever is higher.

"(d) The Secretary shall give preference in approving mortgage insurance applications under this section to families living in public housing units, especially those families required to leave public housing because their incomes have risen beyond the maximum prescribed income limits, and families eligible for residence in public housing who have been displaced from federally assisted urban renewal areas.

"(e) The Secretary is authorized to provide, or contract with public or private organizations to provide, such budget, debt management, and related counseling services to mortgagors whose mortgages are insured under this section as he determines to be necessary to meet the objectives of this section. The Secretary may also provide such counseling to otherwise eligible families who lack sufficient funds to supply a downpayment to help them to save an amount necessary for that purpose.

"(f) The aggregate principal balance of all mortgages insured under this section and outstanding at one time shall not exceed $100,000,000.

"(g) There are authorized to be appropriated such sums

as may be necessary to carry out the provisions of subsection (e) of this section."

(b) Section 226 of the National Housing Act is amended by inserting "235(i), 237," after "234,".

RELAXATION OF MORTGAGE INSURANCE REQUIREMENTS IN CERTAIN URBAN NEIGHBORHOODS

SEC. 103. (a) Section 223 of the National Housing Act is amended by adding at the end thereof a new subsection as follows:

"(e) Notwithstanding any of the provisions of this title except section 212, and without regard to limitations upon eligibility contained in any section of this title, the Secretary is authorized, upon application by the mortgagee, to insure under any section of this title a mortgage executed in connection with the repair, rehabilitation, construction, or purchase of property located in an older, declining urban area in which the conditions are such that one or more of the eligibility requirements applicable to the section of this title under which insurance is sought could not be met, if the Secretary finds that (1) the area is reasonably viable, giving consideration to the need for providing adequate housing for families of low and moderate income in such area, and (2) the property is an acceptable risk in view of such consideration. The insurance of a mortgage pursuant to this subsection shall be the obligation of the Special Risk Insurance Fund."

(b) Section 203 (l) of such Act is repealed.

SPECIAL RISK INSURANCE FUND

SEC. 104. (a) Title II of the National Housing Act is amended by adding after section 237 (as added by section 102 of this Act) the following new section:

"PAYMENT OF INSURANCE—SPECIAL RISK INSURANCE FUND

"SEC. 238. (a) (1) Any mortgagee under a mortgage insured under section 235 (i), 235 (j) (4), or 237 shall be entitled to receive the benefits of the insurance as provided in section 204 (a) with respect to mortgages insured under section 203. The provisions of subsections (b), (c), (d), (g), (j), and (k) of section 204 shall be applicable to mortgages insured under section 235 (i), 235 (j) (4), or 237, except that all references therein to the 'Mutual Mortgage Insurance Fund' shall be construed to refer to the 'Special Risk Insurance Fund', and all references therein to section 203 shall be construed to refer to section 235 (i), 235 (j) (4), or 237, as may be appropriate.

"(2) Any mortgagee under a mortgage insured under section 235 (j) (1) or 236 shall be entitled to receive the benefits of insurance as provided in section 207 (g) with respect to mortgages insured under section 207. The provisions of subsections (d), (e), (h), (i), (j), (k), (l), and (n) of section 207 shall be applicable to mortgages in-

sured under section 235 (j) (1) or 236, except that all references therein to the 'General Insurance Fund' shall be construed to refer to the 'Special Risk Insurance Fund' and the premium charge provided in section 207 (d) shall be payable only in cash or debentures of the Special Risk Insurance Fund.

"(3) In lieu of the amount of insurance benefits computed pursuant to paragraph (1) or (2) of this subsection, the Secretary, in his discretion and in accordance with such regulations as he may prescribe, may (with respect to any mortgage loan acquired by him) compute and pay insurance benefits to the mortgagee in a total amount equal to the unpaid principal balance of the loan plus any accrued interest and any advances approved by the Secretary and made previously by the mortgagee under the provisions of the mortgage.

"(b) There is hereby created a Special Risk Insurance Fund (hereinafter referred to as the 'fund') which shall be used by the Secretary as a revolving fund for carrying out the mortgage insurance obligations of sections 223 (e), 233 (a) (2), 235, 236, and 237, and the Secretary is hereby authorized to advance to the fund the sum of $5,000,000 from the General Insurance Fund established pursuant to the provisions of section 519. Such advance shall be repayable at such times and at such rates of interest as the Secretary

deems appropriate. Premium charges, adjusted premium charges, inspection and other fees, service charges, and any other income received by the Secretary under sections 223 (e), 235, 236, and 237, together with all earnings on the assets of the fund, shall be credited to the fund. All payments made pursuant to claims of mortgagees with respect to mortgages insured under sections 235, 236, and 237 or pursuant to section 223 (e) or 233 (a) (2), cash adjustments, the principal of and interest paid on debentures which are the obligation of the fund, expenses incurred in connection with or as a consequence of the acquisition and disposal of property acquired under such sections, and all administrative expenses in connection with the mortgage insurance operations under such sections shall be paid out of the fund. There is authorized to be appropriated such sums as may be needed from time to time to cover losses sustained by the fund in carrying out the mortgage insurance obligations of sections 223 (e), 233 (a) (2), 235, 236, and 237. Moneys in the fund not needed for current operations of the fund shall be deposited with the Treasurer of the United States to the credit of the fund or invested in bonds or other obligations of, or in bonds or other obligations guaranteed by, the United States. The Secretary, with the approval of the Secretary of the Treasury, may purchase in the open market debentures which are the obligation of the fund. Such pur-

chases shall be made at a price which will provide an investment yield of not less than the yield obtained from other investments authorized by this section. Debentures so purchased shall be canceled and not reissued."

(b) Section 224 of such Act is amended by striking out "or section 233" and inserting in lieu thereof "section 233, or section 238".

(c) Section 519 (e) of such Act is amended by inserting after "section 213 (k)" the following: ", or the provisions of sections 223 (e), 233 (a) (2), 235, 236, and 237".

CONDOMINIUM AND COOPERATIVE OWNERSHIP FOR LOW AND MODERATE INCOME FAMILIES

SEC. 105. (a) Section 221 of the National Housing Act is amended by adding at the end thereof two new subsections as follows:

"(i) (1) The Secretary is authorized, with respect to any project involving a mortgage insured under subsection (d) (3) which bears interest at the below-market interest rate prescribed in the proviso of subsection (d) (5), to permit a conversion of the ownership of such project to a plan of family unit ownership. Under such plan, each family unit shall be eligible for individual ownership and provision shall be included for the sale of the family units, together with an undivided interest in the common areas and facilities which serve the project, to low or moderate income pur-

chasers. The Secretary shall obtain such agreements as he determines to be necessary to assure continued maintenance of the common areas and facilities. Upon such sale, the family unit and the undivided interest in the common areas shall be released from the lien of the project mortgage.

"(2) (A) The Secretary is authorized, upon application by the mortgagee, to insure under this subsection mortgages financing the purchase of individual family units under the plan prescribed in paragraph (1). Commitments may be issued by the Secretary for the insurance of such mortgages prior to the date of their execution or disbursement thereon, upon such terms and conditions as the Secretary may prescribe. To be eligible for such insurance, the mortgage shall—

"(i) be executed by a mortgagor having an income within the limits prescribed by the Secretary for occupants of projects financed with a mortgage insured under subsection (d) (3) which bears interest at the below-market rate prescribed in the proviso of subsection (d) (5);

"(ii) involve a principal obligation (including such initial service charges, and such appraisal, inspection, and other fees, as the Secretary shall approve) in an amount not to exceed the Secretary's estimate of the appraised value of the family unit, including the mort-

gagor's interest in the common areas and facilities, as of the date the mortgage is accepted for insurance;

"(iii) bear interest at a rate determined by the Secretary (which may vary in accordance with the regulations of the Secretary promulgated pursuant to the last sentence of paragraph (4) of this subsection) but not less than the below-market rate in effect under the proviso of subsection (d) (5) at the date of the commitment for insurance; and

"(iv) provide for complete amortization by periodic payments within such term as the Secretary may prescribe, but not to exceed the lesser of forty years from the beginning of amortization of the mortgage or three-quarters of the Secretary's estimate of the remaining economic life of the building improvements.

"(B) The price for which the individual family unit is sold to the low or moderate income purchaser shall not exceed the appraised value of the property, as determined under subparagraph (A) (ii), except that the purchaser shall be required to pay on account of the property at the time of purchase at least such amount, in cash or its equivalent (which shall be not less than 3 per centum of such price, but which may be applied in whole or in part toward closing costs), as the Secretary may determine to be reasonable and appropriate.

"(3) Upon the sale of all of the family units covered by the project mortgage, and the release of all of the family units (including the undivided interest allocable to each unit in the common areas and facilities) from the lien of the project mortgage, the insurance of the project mortgage shall be terminated and no adjusted premium charge shall be collected by the Secretary upon such termination.

"(4) Any mortgage covering an individual family unit insured under this subsection shall contain a provision that, if the original mortgagor does not continue to occupy the property, the interest rate shall increase to the highest rate permissible under this section and the regulations of the Secretary effective at the time the commitment was issued for the insurance of the project mortgage; except that the requirement for an increase in interest rate shall not be applicable if the property is sold and the purchaser is (i) a nonprofit purchaser approved by the Secretary, or (ii) a low or moderate income purchaser who has an income within the limits prescribed by the Secretary for occupants of projects financed with a mortgage insured under subsection (d) (3) which bears interest at the below-market rate prescribed in the proviso of subsection (d) (5). The mortgage shall also contain a provision that, if the Secretary determines that the annual income of the original mortgagor (or a purchaser described in clause (ii) of the preceding sentence) has

increased to an amount enabling payment of a greater rate of interest, the interest rate of the individual mortgage may be increased up to the highest rate permissible under the regulations of the Secretary for mortgages insured under this section effective at the time the commitment was issued for the insurance of the mortgage.

"(5) For the purpose of this subsection—

"(i) the term 'mortgage', when used in relation to a mortgage insured under paragraph (2) of this subsection, includes a first mortgage given to secure the unpaid purchase price of a fee interest in, or a long-term lease-hold interest in, a one-family unit in a multi-family project and an undivided interest in the common areas and facilities which serve the project; and

"(ii) the term 'common areas and facilities' includes the land and such commercial, community, and other facilities as are approved by the Secretary.

"(j) (1) The Secretary is authorized, with respect to any rental project involving a mortgage insured under subsection (d) (3) which bears interest at the below-market interest rate prescribed in the proviso of subsection (d) (5), to permit a conversion of the ownership of such project to a cooperative approved by the Secretary. Membership in such cooperative shall be made available only to those

families having an income within the limits prescribed by the Secretary for occupants of projects financed with a mortgage insured under subsection (d) (3) which bears interest at such below-market rate: *Provided,* That families residing in the rental project at the time of its conversion to a cooperative who do not meet such income limits may be permitted to become members in the cooperative under such special terms and conditions as the Secretary may prescribe.

"(2) The Secretary is authorized, upon application by the mortgagee, to insure under this subsection cooperative mortgages financing the purchase of projects meeting the requirements of paragraph (1). Commitments may be issued by the Secretary for the insurance of such mortgages prior to the date of their execution or disbursement thereon, upon such terms and conditions as the Secretary may prescribe. To be eligible for such insurance, the mortgage shall—

"(i) involve a principal obligation (including such initial service charges and appraisal, inspection, and other fees as the Secretary shall approve) in an amount not exceeding the appraised value of the property for continued use as a cooperative, which value shall be based upon a mortgage amount on which the debt service can be met from the income of the property when operated

on a nonprofit basis, after the payment of all operating expenses, taxes, and required reserves;

"(ii) bear interest at the below-market rate prescribed in the proviso of subsection (d) (5); and

"(iii) provide for complete amortization within such term as the Secretary may prescribe."

(b) Section 221 (g) (1) of such Act is amended by striking out "or paragraph (5) of subsection (h) of this section" and inserting in lieu thereof "paragraph (5) of subsection (h) of this section, or paragraph (2) of subsection (i) of this section".

(c) Section 221 (g) (2) of such Act is amended by striking out "or paragraph (1) of subsection (h)" and inserting in lieu thereof "paragraph (1) of subsection (h) of this section, or paragraph (2) of subsection (j),".

(d) Section 221 (f) of such Act is amended by inserting after "subsection (h)" in the third sentence of the second paragraph the following: ", (i), or (j)".

ASSISTANCE TO NONPROFIT SPONSORS OF LOW AND MODERATE INCOME HOUSING

SEC. 106. (a) The Secretary of Housing and Urban Development is authorized to provide, or contract with public or private organizations to provide, information, advice, and technical assistance with respect to the construction, re-

habilitation, and operation by nonprofit organizations of housing for low or moderate income families. Assistance by the Secretary may include—

(1) the assembly, correlation, publication, and dissemination of information with respect to the construction, rehabilitation, and operation of low and moderate income housing, and

(2) the provision of advice and technical assistance with respect to the construction, rehabilitation, and operation of low and moderate income housing.

(b) (1) The Secretary is authorized to make loans to nonprofit organizations for the necessary expenses, prior to construction, in planning, and obtaining financing for, the rehabilitation or construction of housing for low or moderate income families under any federally assisted program. Such loans shall be made without interest and shall not exceed 80 per centum of the reasonable costs expected to be incurred in planning, and in obtaining financing for, such housing prior to the availability of financing, including, but not limited to, preliminary surveys and analyses of market needs, preliminary site engineering and architectural fees, site acquisition, application and mortgage commitment fees, and construction loan fees and discounts. The Secretary shall require repayment of loans made under this subsection, under such terms and conditions as he may require, upon completion

of the project or sooner, and may cancel any part or all of a loan if he determines that it cannot be recovered from the proceeds of any permanent loan made to finance the rehabilitation or construction of the housing.

(2) The Secretary shall determine prior to the making of any loan that the nonprofit organization meets such requirements with respect to financial responsibility and stability as he may prescribe.

(3) There are authorized to be appropriated for the purposes of this subsection not to exceed $7,500,000 for the fiscal year ending June 30, 1969, and not to exceed $10,000,000 for the fiscal year ending June 30, 1970. Any amounts so appropriated shall remain available until expended, and any amounts authorized for any fiscal year under this paragraph but not appropriated may be appropriated for any succeeding fiscal year.

(4) All funds appropriated for the purposes of this subsection shall be deposited in a fund which shall be known as the Low and Moderate Income Sponsor Fund, and which shall be available without fiscal year limitation and be administered by the Secretary as a revolving fund for carrying out the purposes of this subsection. Sums received in repayment of loans made under this subsection shall be deposited in such fund.

NATIONAL HOMEOWNERSHIP FOUNDATION

SEC. 107. (a) (1) There is hereby created a body corporate to be known as the "National Homeownership Foundation" (hereinafter referred to as the "Foundation") to carry out a continuing program of encouraging private and public organizations at the national, community, and neighborhood levels to provide increased homeownership and housing opportunities in urban and rural areas for lower income families through such means as—

(A) encouraging the investment in, and sponsoring of, housing for lower income families;

(B) encouraging the establishment of programs of assistance and counseling to lower income families to enable them better to achieve and afford adequate housing;

(C) providing a broad range of technical assistance through publications and advisory services to public and private organizations which are carrying out, or are desirous of carrying out, programs to expand homeownership and housing opportunities for lower income families; and

(D) providing grants and loans to public and private organizations carrying out homeownership and housing opportunity programs for lower income families to help cover some of the expenses of such programs.

(2) The Foundation shall be deemed to be a corporation without members organized and established under the provisions of the District of Columbia Nonprofit Corporation Act, with all the rights, powers, and responsibilities thereof except as limited by this section and any amendments thereto. This section shall constitute the articles of incorporation and charter of the Foundation, which shall not be an agency or instrumentality of the United States Government. The Congress expressly reserves the exclusive right to alter or amend this charter. The Foundation shall have succession until dissolved by Act of Congress. The Foundation shall maintain its principal office in the District of Columbia.

(3) No part of the net earnings of the Foundation shall inure to the benefit of any private person, and no substantial part of its activities shall be devoted to attempting to influence legislation. The Foundation shall not participate or intervene in any political campaign on behalf of any candidate for public office. The Foundation shall be operated and administered at all times as a charitable and educational foundation.

(4) No employee or officer of the Foundation shall receive compensation in excess of that received by or hereafter prescribed by law for heads of executive departments.

(5) The Foundation shall make maximum use of exist-

ing public and private agencies and programs, and in carrying out its functions the Foundation is authorized to contract with individuals, private corporations, organizations, and associations, and with agencies of the Federal, State, and local governments.

(6) The Foundation is authorized to receive donations and grants from individuals and from public and private organizations, foundations, and agencies.

(7) The Foundation may use only donated funds, or funds derived from payment of interest on loans made by it, for the principal and interest payments on any borrowings.

(b) (1) The Foundation shall have a Board of Directors consisting of eighteen members, fifteen of whom shall be appointed by the President of the United States, with the advice and consent of the Senate. The other three members shall be, ex officio, the Secretary of Housing and Urban Development, the Secretary of Agriculture, and the Director of the Office of Economic Opportunity. The President shall appoint one of the fifteen appointed members to serve as Chairman of the Board during his term of office as a member.

(2) Within thirty days after the date of enactment of this Act, the President shall appoint the fifteen appointed members of the Board. Not more than five of such members shall, at the time of their appointment, be serving full time as officers or employees of the Federal Government, or as

officers or employees of any State or local government. Each appointed member of the Board shall hold office for a term of three years, except that (A) any member appointed to fill a vacancy prior to the expiration of the term for which his predecessor was appointed shall be appointed for the remainder of such term, and (B) the terms of the members first taking office shall expire, as designated by the President at the time of appointment, five at the end of the first year, five at the end of the second year, and five at the end of the third year after the date of appointment. Members of the Board, however appointed, shall be eligible for reappointment, but at no time shall there be more than five members of the Board who at the time of their appointment or reappointment were full-time officers or employees of the Federal Government or of any State or local government.

(3) Appointed members of the Board who are not employees of the Federal Government, while attending meetings or conferences of the Board or otherwise serving on business of the Board, shall be entitled to receive compensation at rates fixed by the President, but not exceeding $100 per day, including travel time, and while so serving away from their homes or regular places of business they may be allowed travel expenses, including per diem in lieu of subsistence, as authorized by section 5703 of title 5,

United States Code, for persons in the Government service employed intermittently.

(4) The Board shall appoint an Executive Director of the Foundation. The Executive Director shall be the chief executive officer of the Foundation and shall serve at the pleasure of the Board, and all other executive officers and employees of the Board shall be responsible to him. The Board shall also cause to be appointed a secretary, a treasurer, and such other officers as may be necessary to conduct properly the business of the Foundation, and shall provide for filling vacancies in such offices.

(5) The Board shall adopt bylaws for the Foundation which shall be made available for public inspection upon request.

(c) (1) The Foundation shall assist public and private organizations, at their request, in initiating, developing, and conducting programs to expand homeownership and housing opportunities for lower income families. To provide such assistance and to carry out the purposes of this section, the Foundation is authorized to—

(A) carry out a continuing program of encouraging private and public organizations at the national, community, and neighborhood levels in the establishment of such programs;

(B) assist in the formation of organizations the

purpose of which is the development and carrying out of such programs, including the establishment of local development funds for financing housing for lower income families through the pooling of moneys from private sources;

(C) identify and arrange for the technical and managerial assistance and personnel needed for the successful operation of such programs by public and private organizations;

(D) assist public and private organizations in obtaining the mortgage financing, insurance, and other requirements or aids necessary for conducting programs of housing construction, rehabilitation, or improvement for lower income families;

(E) arrange for, or provide on a limited basis, training for persons in the skills needed in administering programs of homeownership and housing opportunity for lower income families;

(F) encourage research and innovation, and collect and make available such information as may be desirable to further the purposes of this section, including but not limited to such activities as the sponsoring of seminars, conferences, and meetings, and the establishment of a continuing information program to acquaint lower income families with the means they can use to improve

the quality of their housing and the homeownership and housing opportunities available to them;

(G) assist private and public organizations in establishing, in connection with their homeownership and housing opportunity programs for lower income families, counseling and similar activities designed to advise lower income families of the means available to better themselves economically through job training and manpower development programs; and

(H) perform other similar services in order to further the purposes of this section.

(2) The Foundation may, if it deems it appropriate, charge a reasonable fee for any assistance or services provided under this subsection.

(d) (1) In order to assist public and private organizations which are carrying out homeownership and housing opportunity programs for lower income families to fill unmet needs, initiate exceptional programs, and experiment with new approaches and programs, the Foundation is authorized, subject to such terms and conditions as it may prescribe, to make grants and loans to such organizations to help defray the following expenses:

(A) organizational and administrative expenses incurred in commencing the operation of a program, or in expanding an existing program, to the extent that the

activities are related to providing homeownership and housing opportunities for lower income families;

(B) necessary preconstruction costs incurred for architectural assistance, land options, application fees, and similar items; and

(C) the cost of carrying out programs providing counseling or similar services to lower income families for whom housing is being provided, in order to enable those families better to achieve and afford adequate housing, in such matters as home management, budget management, and home maintenance.

(2) In order to be eligible for a grant or loan under this subsection, the organization seeking such assistance shall demonstrate to the satisfaction of the Foundation that the funds requested are not otherwise available from Federal sources: *Provided,* That a grant or loan under this subsection may be provided to help cover that portion of the cost of an eligible activity not covered by Federal funds.

(3) The Foundation shall encourage cooperation between public and private organizations carrying out programs of homeownership and housing opportunity for lower income families and the neighborhoods and communities affected by such programs. To help assure such cooperation and in order to coordinate, to the maximum extent feasible, any construction or rehabilitation activities with the develop-

ment goals of the neighborhood or community affected, no application for a loan or grant under this subsection shall be considered unless such application has been submitted to the governing body of the community affected, or to such other entity of local government as may be designated by the governing body, for such recommendations as the local governing body or its designee may desire to make. Any recommendations so made shall be given careful consideration by the Foundation before taking final action on any such application. If, upon the expiration of thirty days after any such application has been submitted to such governing body or its designee, such body or designee fails to provide such recommendations, the application may be considered without the benefit of such recommendations.

(e) The Foundation shall coordinate its activities and consult with the Department of Housing and Urban Development and other Federal departments and agencies engaged in providing homeownership and housing opportunities for lower income families.

(f) (1) Not later than one hundred and twenty days after the close of each fiscal year, the Foundation shall prepare and submit to the President and to the Congress a full report of its activities during such year. Such report shall include an account of the Foundation's experiences with the efforts of private and public organizations to expand home-

ownership and housing opportunities for lower income families, together with such recommendations as it deems appropriate.

(2) Whenever in its judgment the general unavailability of mortgage funds is sufficiently serious to deter the Foundation from carrying out its objective of expanding homeownership and housing opportunities for lower income families, the Foundation shall, in its annual report or in a separate report to the President and the Congress, state its findings and make such recommendations for alternate means of financing housing for such families as it deems appropriate.

(g) (1) The financial transactions of the Foundation shall be audited by the General Accounting Office in accordance with the principles and procedures applicable to commercial corporate transactions and under such rules and regulations as may be prescribed by the Comptroller General of the United States. The representatives of the General Accounting Office shall have access to all books, accounts, financial records, reports, files, and all other papers, things, or property belonging to or in use by the Foundation and necessary to facilitate the audit, and they shall be afforded full facilities for verifying transactions with the balances or securities held by depositories, fiscal agents, and custodians. The audit shall cover the fiscal year corresponding to that of the United States Government.

(2) A report of each such audit shall be made by the Comptroller General to the Congress not later than January 15 following the close of the fiscal year for which the audit was made. The report shall set forth the scope of the audit and shall include a statement of assets and liabilities, capital, and surplus or deficit; a statement of sources and application of funds; and such comments and information as may be deemed necessary to keep the Congress informed of the operations and financial condition of the Foundation, together with such recommendations with respect thereto as the Comptroller General may deem advisable. The report shall also show specifically any program, expenditure, or other financial transaction or undertaking, observed in the course of the audit, which, in the opinion of the Comptroller General, has been carried on or made without authority of law. A copy of each report shall be furnished to the President and to the Foundation at the time submitted to the Congress.

(h) Funds of the Foundation shall be deposited, to the extent practicable, in accounts with financial institutions which are actively engaged in making loans or are otherwise carrying on activities in furtherance of homeownership and housing opportunities for lower income families.

(i) There is authorized to be appropriated to the Foundation not to exceed $10,000,000 to carry out the purposes of this section. Appropriations made hereunder shall remain available until expended.

NEW TECHNOLOGIES IN THE DEVELOPMENT OF HOUSING FOR LOWER INCOME FAMILIES

SEC. 108. (a) In order to encourage the use of new housing technologies in providing decent, safe, and sanitary housing for lower income families; to encourage large-scale experimentation in the use of such technologies; to provide a basis for comparison of such technologies with existing housing technologies in providing such housing; and to evaluate the effect of local housing codes and zoning regulations on the large-scale use of new housing technologies in the provision of such housing, the Secretary of Housing and Urban Development (hereinafter referred to as the "Secretary") shall institute a program under which qualified organizations, public and private, will submit plans for the development of housing for lower income families, using new and advanced technologies, on Federal land which has been made available by the Secretary for the purposes of this section, or on other land where (1) local building regulations permit the construction of experimental

housing, or (2) State or local law permits variances from building regulations in the construction of experimental housing for the purpose of testing and developing new building technologies.

(b) The Secretary shall approve not more than five plans utilizing new housing technologies which are submitted to him pursuant to the program referred to in subsection (a) and which he determines are most promising in furtherance of the purposes of this section. In making such determination the Secretary shall consider—

(1) the potential of the technology employed for producing housing for lower income families on a large scale at a moderate cost;

(2) the extent to which the plan envisages environmental quality;

(3) the possibility of mass production of the technology; and

(4) the financial soundness of the organization submitting the plan, and the ability of such organization, alone or in combination with other organizations, to produce at least one thousand dwelling units a year utilizing the technology proposed.

(c) In approving projects for mortgage insurance under section 233 (a) (2) of the National Housing Act (as added by subsection (f) of this section), the Secretary shall seek

to achieve the construction of at least one thousand dwelling units a year over a five-year period for each of the various types of technologies proposed in approved plans under subsection (b). The Secretary shall evaluate each project with respect to which assistance is extended pursuant to this section with a view to determining (1) the detailed cost breakdown per dwelling unit, (2) the environmental quality achieved in each such unit, and (3) the effect which local housing codes and zoning regulations have, or would have if applicable, on the cost per dwelling unit.

(d) Notwithstanding the provisions of the Federal Property and Administrative Services Act of 1949, any land which is excess property within the meaning of such Act and which is determined by the Secretary to be suitable in furtherance of the purposes of this section may be transferred to the Secretary upon his request.

(e) The Secretary shall, at the earliest practicable date, report his findings with respect to projects assisted pursuant to this section (including evaluations of each such project in accordance with subsection (c)), together with such recommendations for additional legislation as he determines to be necessary or desirable to expand the available supply of decent, safe, and sanitary housing for lower income families through the use of technologies the efficacy of which has been demonstrated under this section.

(f) (1) Section 233 (a) of the National Housing Act is amended—

(A) by inserting "(1)" after "(a)",

(B) by redesignating clauses (1), (2), and (3) as clauses (A), (B), and (C), respectively, and

(C) by adding at the end thereof the following new paragraph:

"(2) The Secretary is further authorized to insure and to make commitments to insure, under this section, mortgages (including advances on mortgages during construction) secured by properties in projects to be carried out in accordance with plans approved by the Secretary under section 108 of the Housing and Urban Development Act of 1968.".

(2) Section 233 (c) of such Act is amended by inserting at the end thereof the following new sentence: "Any authority which the Secretary may exercise in connection with a mortgage, or property covered by a mortgage, insured under any other section of this title (including payments to reduce rentals for, or to facilitate homeownership by, lower income families) may be exercised in connection with a mortgage, or property covered by a mortgage, meeting the requirements of such other section (except as specified in subsection (b)), which is insured under this section to the same extent and in the same manner as if the mortgage insured under this section was insured under such other section."

INSURANCE PROTECTION FOR HOMEOWNERS

SEC. 109. (a) The Secretary of Housing and Urban Development is authorized, in cooperation with the private insurance industry, to develop a plan for the establishment at the earliest practicable date of an insurance program to help homeowners in meeting mortgage payments in times of personal economic adversity. Such insurance program shall be designed to protect mortgagors against foreclosure due to curtailment of income resulting from factors beyond their effective control, including such factors as death, disability, illness, and unemployment. Such insurance program shall also be designed to be actuarially sound through the use of premiums, fees, extended or increased payment schedules, or other similar methods, in conjunction with such Federal participation as may be necessary.

(b) Within six months following the date of enactment of this Act, the Secretary shall report to the Congress on his actions under this section, and shall recommend to the Congress such legislation as he deems appropriate to authorize him to enter into agreements with any insurance company, or any corporation or joint enterprise formed to provide home mortgage insurance protection, for the purpose of reinsuring insurance reserve funds, subsidizing premium payments on behalf of lower income mortgagors, or otherwise making possible the insurance protection of homeowners in accordance

with subsection (a). In preparing such recommendations the Secretary shall consult with other agencies or instrumentalities of the United States which insure or guarantee home mortgages in order that such legislation as may be recommended affords equal benefits to mortgagors participating in their programs.

TITLE II—RENTAL HOUSING FOR LOW AND MODERATE INCOME FAMILIES

PART A—PRIVATE HOUSING

RENTAL AND COOPERATIVE HOUSING FOR LOW AND MODERATE INCOME FAMILIES

SEC. 201. (a) Title II of the National Housing Act is amended by adding after section 235 (as added by section 101 of this Act) the following new section:

"RENTAL AND COOPERATIVE HOUSING FOR LOW AND MODERATE INCOME FAMILIES

"SEC. 236. (a) For the purpose of reducing rentals for low and moderate income families, the Secretary is authorized to make, and to contract to make, periodic interest reduction payments on behalf of the owner of a rental housing project designed for occupancy by low and moderate income families, which shall be accomplished through payments to mortgagees holding mortgages meeting the special requirements specified in this section.

"(b) Interest reduction payments with respect to a

project shall only be made during such time as the project is operated as a rental housing project and is subject to a mortgage which meets the requirements of, and is insured under, subsection (j) of this section: *Provided,* That interest reduction payments may be made with respect to a rental or cooperative housing project owned by a private nonprofit corporation or other private nonprofit entity, a limited dividend corporation or other limited dividend entity, or a cooperative housing corporation, which is financed under a State or local program providing assistance through loans, loan insurance, or tax abatements, and which, prior to completion of construction or rehabilitation, is approved for receiving the benefits of this section.

"(c) The interest reduction payments to a mortgagee by the Secretary on behalf of a project owner shall be in an amount not exceeding the difference between the monthly payment for principal, interest, and mortgage insurance premium which the project owner as a mortgagor is obligated to pay under the mortgage and the monthly payment for principal and interest such project owner would be obligated to pay if the mortgage were to bear interest at the rate of 1 per centum per annum.

"(d) The Secretary may include in the payment to the mortgagee such amount, in addition to the amount computed

under subsection (c), as he deems appropriate to reimburse the mortgagee for its expenses in handling the mortgage.

"(e) As a condition for receiving the benefits of interest reduction payments, the project owner shall operate the project in accordance with such requirements with respect to tenant elegibility and rents as the Secretary may prescribe. Procedures shall be adopted by the Secretary for review of tenant incomes at intervals of two years (or at shorter intervals where the Secretary deems it desirable).

"(f) For each dwelling unit there shall be established with the approval of the Secretary (1) a basic rental charge determined on the basis of operating the project with payments of principal and interest due under a mortgage bearing interest at the rate of 1 per centum per annum; and (2) a fair market rental charge determined on the basis of operating the project with payments of principal, interest, and mortgage insurance premium which the mortgagor is obligated to pay under the mortgage covering the project. The rental for each dwelling unit shall be at the basic rental charge or such greater amount, not exceeding the fair market rental charge, as represents 20 per centum of the tenant's income.

"(g) The project owner shall, as required by the Secretary, accumulate, safeguard, and periodically pay to the Secretary all rental charges collected in excess of the basic

rental charges. Such excess charges shall be deposited by the Secretary in a fund which may be used by him as a revolving fund for the purpose of making interest reduction payments with respect to any rental housing project covered by a mortgage insured under this section, subject to limits approved in appropriation Acts pursuant to subsection (i). Moneys in such fund not needed for current operations may be invested in bonds or other obligations of the United States or in bonds or other obligations guaranteed as to principal and interest by the United States.

"(h) In addition to establishing the requirements specified in subsection (e), the Secretary is authorized to make such rules and regulations, to enter into such agreements, and to adopt such procedures as he may deem necessary or desirable to carry out the provisions of this section.

"(i) There are authorized to be appropriated such sums as may be necessary to carry out the provisions of this section, including such sums as may be necessary to make interest reduction payments under contracts entered into under this section. The aggregate amount of contracts to make such payments shall not exceed amounts approved in appropriation Acts, and payments pursuant to such contracts shall not exceed $75,000,000 per annum prior to July 1, 1969, which maximum dollar amount shall be increased by

$100,000,000 on July 1, 1969, and by $125,000,000 on July 1, 1970.

"(j) (1) The Secretary is authorized, upon application by the mortgagee, to insure a mortgage (including advances on such mortgage during construction) which meets the requirements of this subsection. Commitments for the insurance of such mortgages may be issued by the Secretary prior to the date of their execution or disbursement thereon, upon such terms and conditions as he may prescribe.

"(2) As used in this subsection—

"(A) the terms 'family' and 'families' shall have the same meaning as in section 221;

"(B) the term 'elderly or handicapped families' shall have the same meaning as in section 202 of the Housing Act of 1959; and

"(C) the terms 'mortgage', 'mortgagee', and 'mortgagor' shall have the same meaning as in section 201.

"(3) To be eligible for insurance under this subsection, a mortgage shall meet the requirements specified in subsections (d) (1) and (d) (3) of section 221, except as such requirements are modified by this subsection. In the case of a project financed with a mortgage insured under this subsection which involves a mortgagor other than a cooperative or a private nonprofit corporation or association and which is sold to a cooperative or a nonprofit corporation or associa-

tion, the Secretary is further authorized to insure under this subsection a mortgage given by such purchaser in an amount not exceeding the appraised value of the property at the time of purchase, which value shall be based upon a mortgage amount on which the debt service can be met from the income of the property when operated on a nonprofit basis, after payment of all operating expenses, taxes, and required reserves.

"(4) A mortgage to be insured under this subsection shall—

"(A) be executed by a private mortgagor eligible under subsection (d) (3) or (e) of section 221;

"(B) bear interest (exclusive of premium charges for insurance and service charges, if any) at not to exceed such per centum per annum (not in excess of 6 per centum), on the amount of the principal obligation outstanding at any time, as the Secretary finds necessary to meet the mortgage market; and

"(C) provide for complete amortization by periodic payments within such term as the Secretary may prescribe.

"(5) The property or project shall—

"(A) comply with such standards and conditions as the Secretary may prescribe to establish the acceptability of the property for mortgage insurance and may include

such nondwelling facilities as the Secretary deems adequate and appropriate to serve the occupants and the surrounding neighborhood: *Provided,* That the project shall be predominantly residential and any nondwelling facility included in the mortgage shall be found by the Secretary to contribute to the economic feasibility of the project, and the Secretary shall give due consideration to the possible effect of the project on other business enterprises in the community: *Provided further,* That, in the case of a project designed primarily for occupancy by elderly or handicapped families, the project may include related facilities for use by elderly or handicapped families, including cafeterias or dining halls, community rooms, workshops, infirmaries or other inpatient or outpatient health facilities, and other essential service facilities;

"(B) include five or more dwelling units; and

"(C) be designed primarily for use as a rental project to be occupied by low and moderate income families or by elderly or handicapped families: *Provided,* That low and moderate income persons who are less than sixty-two years of age shall be eligible for occupancy in such a project, but not more than 10 per centum of the dwelling units in any such project shall be available for occupancy by such persons.

"(6) With the approval of the Secretary, the mortgagor may sell the individual dwelling units to low and moderate income or elderly or handicapped purchasers. The Secretary may consent to the release of the mortgagor from his liability under the mortgage and the credit instrument secured thereby, or consent to the release of parts of the mortgaged property from the lien of the mortgage, upon such terms and conditions as he may prescribe, and the mortgage may provide for such release.

"(k) As used in this section the term 'tenant' includes a member of a cooperative; the term 'rental housing project' includes a cooperative housing project; and the terms 'rental' and 'rental charge' mean, with respect to members of a cooperative, the charges under the occupancy agreements between such members and the cooperative.

"(l) The Secretary shall from time to time allocate and transfer to the Secretary of Agriculture, for use (in accordance with the terms and conditions of this section) in rural areas and small towns, a reasonable portion of the total authority to contract to make periodic interest reduction payments as approved in appropriation Acts under subsection (i)."

(b) (1) Section 212(a) of such Act is amended by striking out "or 232" in the first sentence of the second paragraph and inserting in lieu thereof ", 232, or 236".

(2) Section 227 (a) of such Act is amended by striking out "or (viii) under section 234 (d)" and inserting in lieu thereof "(viii) under section 234 (d), or (ix) under section 236".

(3) Section 227 (c) of such Act is amended by striking out "or section 233 (b) (2)" each place it appears and inserting in lieu thereof "section 233, or section 236".

(c) The Secretary of Housing and Urban Development is authorized, upon such terms and conditions as he may prescribe, to transfer to section 236 (j) of the National Housing Act the insurance of a mortgage which has not been finally endorsed for insurance under section 221 (d) (3) of such Act and which has been approved for the below-market interest rate prescribed in the proviso of section 221 (d) (5) of such Act.

(d) The Secretary of Housing and Urban Development is authorized, upon such terms and conditions as he may prescribe, to insure under section 236 (j) of the National Housing Act a mortgage meeting the requirements of such section which is given to refinance a mortgage loan made under section 202 of the Housing Act of 1959: *Provided,* That the application for such insurance is filed with the Secretary on or before the date of project completion, or within such reasonable time thereafter as the Secretary may permit.

(e) (1) Section 101 (d) of the Housing and Urban Development Act of 1965 is amended by striking out "one-fourth" and inserting in lieu thereof "one-fifth".

(2) Section 101 (g) of such Act is amended by striking out "or 231 (c) (3)" and inserting in lieu thereof ", 231 (c) (3), or 236".

(3) Section 101 (j) (1) of such Act is amended—

(A) by striking out "and" at the end of subparagraph (B);

(B) by striking out the period at the end of subparagraph (C) and inserting in lieu thereof "; and"; and

(C) by inserting after subparagraph (C) a new subparagraph as follows:

"(D) a private nonprofit corporation or other private nonprofit legal entity, a limited dividend corporation or other limited divided legal entity, or a cooperative housing corporation, which is a mortgagor under a mortgage insured under section 236 (j) of the National Housing Act which has been approved for receiving the benefits of this section: *Provided,* That payments shall not be made with respect to more than 20 per centum of the dwelling units in any property so financed."

(f) Section 207 of the Appalachian Regional Development Act of 1965 is amended—

(1) by inserting in the heading "AND SECTION 236" immediately after "SECTION 221";

(2) by inserting "or section 236" after "section 221" each place it appears;

(3) by inserting "or 'section 236'" after "'section 221'" in subsection (a); and

(4) by inserting ", Government National Mortgage Association," immediately after "Federal Housing Administration" in subsection (c).

(g) The first sentence of section 305 (i) of the National Housing Act is amended—

(1) by striking out "or (3)" and inserting in lieu thereof "(3)", and

(2) by inserting after "221 (e)" the following: ", or (4) a mortgage insured under section 236".

RENT SUPPLEMENT PROGRAM

SEC. 202. (a) Section 101 (a) of the Housing and Urban Development Act of 1965 is amended by striking out everything after the word "exceed" the second time the word appears in the third sentence and inserting in lieu thereof the following: "$150,000,000 per annum prior to July 1, 1969, which maximum dollar amount shall be in-

creased by $40,000,000 on July 1, 1969, and by $100,000,000 on July 1, 1970."

(b) Section 101 (b) of such Act is amended by inserting after the first sentence the following: "Such term also includes a private nonprofit corporation or other private nonprofit legal entity, a limited dividend corporation or other limited dividend legal entity, or a cooperative housing corporation, which is the owner of a rental or cooperative housing project financed under a State or local program providing assistance through loans, loan insurance, or tax abatement and which prior to completion of construction or rehabilitation is approved for receiving the benefits of this section."

PART B—LOW-RENT PUBLIC HOUSING

INCREASED LOW-RENT PUBLIC HOUSING AUTHORIZATION

SEC. 203. (a) Section 10 (e) of the United States Housing Act of 1937 is amended by striking out "$366,250,000 per annum, which limit shall be increased by $47,000,000 on the date of enactment of the Housing and Urban Development Act of 1965, and by further amounts of $47,000,000 on July 1 in each of the years 1966, 1967, and 1968, respectively," in the first sentence and inserting in lieu thereof the following: "$554,250,000 per annum, which limit shall be increased by $100,000,000

on the date of enactment of the Housing and Urban Development Act of 1968 and by further amounts of $150,000,000 on July 1 in each of the years 1969 and 1970,".

(b) Section 20 of such Act is amended—

(1) by striking out "not to exceed $1,500,000,000" in the first sentence and inserting in lieu thereof "which shall not, unless authorized by the President, exceed $1,500,000,000"; and

(2) by inserting after the first sentence the following: "For the purpose of determining obligations incurred to make loans pursuant to this Act against any limitation otherwise applicable with respect to such loans, the Secretary shall estimate the maximum amount to be loaned at any one time pursuant to loan agreements then outstanding with public housing agencies."

UPGRADING MANAGEMENT AND SERVICES IN PUBLIC HOUSING PROJECTS

SEC. 204. Section 15 of the United States Housing Act of 1937 is amended by adding at the end thereof the following new paragraph:

"(10) The Secretary is authorized to enter into contracts to make grants to public housing agencies to assist, where necessary, in financing tenant services for families

living in low-rent housing projects. In making such contracts and grants, the Secretary shall give preference to programs providing for the maximum feasible participation of the tenants in the development and operation of such tenant services. For purposes of this paragraph the term 'tenant services' includes (without being limited to) the following services and activities for families living in low-rent housing projects: counseling on household management, housekeeping, budgeting, money management, child care, and similar matters; advice as to resources for job training and placement, education, welfare, health, and other community services; services which are directly related to meeting tenant needs and providing a wholesome living environment, including intertenant activities; and referral to appropriate agencies when necessary for the provision of such services. To the maximum extent available and appropriate, existing public and private agencies in the community shall be used for the provision of such services. There are authorized to be appropriated for the purposes of this paragraph not to exceed $20,000,000 for the fiscal year ending June 30, 1969, and not to exceed $40,000,000 for the fiscal year ending June 30, 1970."

PURCHASE OF UNITS BY TENANTS

SEC. 205. Section 15 (9) of the United States Housing Act of 1937 is amended by striking out "which is suitable by reason of its detached or semidetached construction" and inserting in lieu thereof ", if the property to be acquired is sufficiently separable from other property retained by the public housing agency to make it suitable".

PUBLIC HOUSING IN INDIAN AREAS

SEC. 206. (a) Section 1 of the United States Housing Act of 1937 is amended by striking out "urban and rural nonfarm" in the first sentence and inserting in lieu thereof "urban, rural nonfarm, and Indian".

(b) Section 10 (a) of such Act is amended by inserting "or Indian" after "nonfarm" in the fourth proviso.

LIMITATION ON HIGH-RISE STRUCTURES IN LOW-RENT PUBLIC HOUSING PROJECTS

SEC. 207. Section 15 of the United States Housing Act of 1937 is amended by adding at the end thereof (after the new paragraph added by section 204 of this Act) the following new paragraph:

"(11) Except in the case of housing predominantly for the elderly, upon enactment of this paragraph, the Secretary shall not approve high-rise elevator projects for families with

children unless he makes a determination that there is no practical alternative."

PROHIBITION AGAINST CERTAIN LIMITATIONS ON TYPES OR CATEGORIES OF LOW-RENT HOUSING IN PRIVATE ACCOMMODATIONS

SEC. 208. The first sentence of section 23 (d) of the United States Housing Act of 1937 is amended by inserting before the period at the end thereof the following: "(and no limitation not specifically provided for in this section shall be imposed by regulations of the Authority on the types or categories of structures or dwelling units, qualifying under subsection (a) (3) and approved under subsection (c), which may be so used in any community)".

LIMITATION ON NUMBER OF UNITS OF LOW-RENT HOUSING IN PRIVATE ACCOMMODATIONS PER STRUCTURE

SEC. 209. The first sentence of section 23 (c) of the United States Housing Act of 1937 is amended by striking out "not exceeding 10 per centum of the units in any single structure except" and inserting in lieu thereof the following: "not exceeding, in the case of any single structure, the lesser of (i) ten units or 10 per centum of the units in the structure, whichever is greater, or (ii) 50 per centum of the units in the structure, with such lesser number being increased (if

it is not a whole number) to the next higher whole number; except".

SALE TO TENANTS OF LOW-RENT HOUSING IN PRIVATE ACCOMMODATIONS

SEC. 210. (a) Section 23 (f) of the United States Housing Act of 1937 is amended by inserting "(1)" after "shall not apply to", and by inserting before the period at the end thereof the following: ", or (2) housing purchased (or in the process of purchase) by the public housing agency for resale to tenants as provided in subsection (g)".

(b) Section 23 of such Act is further amended by adding at the end thereof the following new subsection:

"(g) To the extent authorized in contracts entered into by the Authority with a public housing agency, such agency may purchase any structure containing one or more dwelling units leased to provide low-rent housing in private accommodations under this section for the purpose of reselling the structure to the tenant or tenants of the structure or to a group of such tenants occupying units aggregating in value at least 80 per centum of the structure's total value. Any such resale shall be made subject to such terms and conditions (including provision for deferment of the required downpayment and for elimination of or adjustments in the required interest payments during a temporary period) as

may be necessary to enable the tenants involved to make the purchase without undue financial hardship."

ADDITIONAL SUBSIDY FOR LARGE FAMILIES AND FAMILIES OF UNUSUALLY LOW INCOME

SEC. 211. (a) Section 2(2) of the United States Housing Act of 1937 is amended by inserting at the end thereof the following new sentences: "The term 'large families' means families which include four or more minors. The term 'families of unusually low income' means families with incomes below the income level established by the public housing agency, as approved by the Authority, who could not be housed without the additional subsidy authorized under section 10(a)."

(b) The first proviso in section 10(a) of such Act is amended—

(1) by inserting after "an elderly family," the following: "or a large family, or a family of unusually low income,";

(2) by striking out "to lease the dwelling unit to an elderly or displaced family at a rental it could afford and"; and

(3) by striking out ", and, in the case of displaced families, if and to the extent that the average or estimated average rental for units so occupied by such

families was less than the rental which the Authority determines, on the basis of the average or estimated average project rentals, would have been established in leasing the units to families which were neither elderly nor similarly displaced".

TITLE III—FEDERAL HOUSING ADMINISTRATION INSURANCE OPERATIONS

MORTGAGE INSURANCE PREMIUMS FOR SERVICEMEN AND THEIR WIDOWS

SEC. 301. Section 222 of the National Housing Act is amended—

(1) by striking out "Secretary of the Treasury" each place it appears and inserting in lieu thereof "Secretary of Transportation"; and

(2) by adding at the end thereof two new subsections as follows:

"(f) The Secretary is authorized to transfer to this section the insurance on any mortgage covering a single-family dwelling or a one-family unit in a condominium project insured under this Act, if the mortgage indebtedness thereof has been assumed by a serviceman who at the time of assumption is the owner of the property and either occupies the property or certifies that his failure to do so is the result of his military assignment, or, in the case of the United States Coast Guard, other assignment.

"(g) Where a serviceman dies while on active duty in the Armed Forces of the United States or in the United States Coast Guard, leaving a surviving widow as owner of the property, the period of ownership by the serviceman (within the meaning of subsection (c) of this section) shall extend for two years beyond the date of the serviceman's death or until the date the widow disposes of the property, whichever date occurs first. The Secretary of Defense or the Secretary of Transportation, as the case may be, shall notify such widow promptly following the serviceman's death of the additional costs to be borne by the mortgagor following termination of the two-year period."

MODIFICATIONS IN TERMS OF INSURED MORTGAGES COVERING MULTIFAMILY PROJECTS

SEC. 302. Title II of the National Housing Act is amended by adding after section 238 (as added by section 104 of this Act) the following new section:

"MODIFICATIONS IN TERMS OF INSURED MORTGAGES COVERING MULTIFAMILY PROJECTS

"SEC. 239. (a) The Secretary shall not consent to any request for an extension of the time for curing a default under any mortgage covering multifamily housing, as defined in the regulations of the Secretary, or for a modification of the terms of such mortgage, except in conformity with regulations prescribed by the Secretary in accordance with the provisions

of this section. Such regulations shall require, as a condition to the granting of any such request, that, during the period of such extension or modification, any part of the rents or other funds derived by the mortgagor from the property covered by the mortgage which is not required to meet actual and necessary expenses arising in connection with the operation of such property, including amortization charges under the mortgage, be held in trust by the mortgagor and distributed only with the consent of the Secretary; except that the Secretary may provide for the granting of consent to any request for an extension of the time for curing a default under any mortgage covering multifamily housing, or for a modification of the terms of such mortgage, without regard to the foregoing requirement, in any case or class of cases in which an exemption from such requirement does not (as determined by the Secretary) jeopardize the interests of the United States.

"(b) Whoever, as an owner of a property which is security for a mortgage described in subsection (a), or as a stockholder of a corporation owning such property, or as a beneficial owner under any business organization or trust owning such property, or as an officer, director, or agent of any such owner, (1) willfully uses or authorizes the use of any part of the rents or other funds derived from property covered by such mortgage in violation of a regulation pre-

scribed by the Secretary under subsection (a), or (2) if such mortgage is determined, as provided in subsection (a), to be exempt from the requirement of any such regulation or is not otherwise covered by such regulation, willfully and knowingly uses or authorizes the use, while such mortgage is in default, of any part of the rents or other funds derived from the property covered by such mortgage for any purpose other than to meet actual and necessary expenses arising in connection with such property (including amortization charges under the mortgage), shall be fined not more than $5,000 or imprisoned not more than three years, or both."

CONDOMINIUMS

SEC. 303. (a) Section 234(c) of the National Housing Act is amended by striking out "rental housing, and (3)" in the first sentence and inserting in lieu thereof the following: "rental housing: *Provided*, That a one-family unit in a multifamily project involving eleven or less units shall be eligible for insurance without having been covered by a project mortgage, and (3)".

(b) Section 234(c) of such Act is further amended by striking out "(iii) 75 per centum" in the third sentence and inserting in lieu thereof "(iii) 80 per centum".

(c) Section 234(f) of such Act is amended by striking "five" and inserting in lieu thereof "four".

INSURANCE OF LOANS FOR PURCHASE OF FEE SIMPLE TITLE FROM LESSORS

SEC. 304. (a) Title II of the National Housing Act is amended by adding after section 239 (as added by section 302 of this Act) the following new section:

"PURCHASE OF FEE SIMPLE TITLE FROM LESSORS

"SEC. 240. (a) The Secretary is authorized, upon such terms and conditions as he may prescribe, to make commitments to insure and to insure loans made by financial institutions for the purpose of financing purchases by homeowners of the fee simple title to property on which their homes are located.

"(b) As used in this section—

"(1) the term 'financial institution' means a lender approved by the Secretary as eligible for insurance under section 2 or a mortgagee approved under section 203 (b) (1); and

"(2) the term 'homeowner' means a lessee under a long-term ground lease.

"(c) To be eligible for insurance under this section, a loan shall—

"(1) relate to property on which there is located a dwelling designed principally for a one-, two-, three-, or four-family residence;

"(2) not exceed the cost of purchasing the fee

simple title, or $10,000 per family unit, whichever is the lesser;

"(3) be limited to an amount which when added to any outstanding indebtedness related to the property (as determined by the Secretary) creates a total outstanding indebtedness which does not exceed the applicable mortgage limit prescribed in section 203 (b) ;

"(4) bear interest at not to exceed such per centum per annum (not to exceed 6 per centum), on the amount of the principal obligation outstanding at any time, as the Secretary finds necessary to meet market conditions, and such other charges (including service charges and appraisal, inspection, and other fees) as may be approved by the Secretary;

"(5) have a maturity satisfactory to the Secretary, but not to exceed twenty years from the beginning of amortization of the loan or three-quarters of the remaining economic life of the home, whichever is the lesser; and

"(6) comply with such other terms, conditions, and restrictions as the Secretary may prescribe.

"(d) The provisions of paragraphs (3), (5), (6), (7), (8), and (10) of section 220 (h) shall be applicable to loans insured under this section and, as applied to loans insured under this section, references in those paragraphs to 'home

improvement loans' and 'this subsection' shall be construed to refer to loans under this section."

(b) Section 5(c) of the Home Owners' Loan Act of 1933 (12 U.S.C. 1464(c)) is amended by adding immediately before the last paragraph the following new paragraph:

"Notwithstanding any other provision of this subsection, an association may invest in loans or obligations, or interests therein, as to which the association has the benefit of insurance under section 240 of the National Housing Act, or of a commitment or agreement therefor, and such investments shall not be included in any percentage of assets or other percentage referred to in this subsection."

EXTENSION OF SECTION 221(d)(2) SALES HOUSING PROGRAM FOR TWO-, THREE-, AND FOUR-FAMILY RESIDENCES TO ALL LOW AND MODERATE INCOME FAMILIES

SEC. 305. Section 221(d)(2) of the National Housing Act is amended by striking out "a displaced family" at the end of the first proviso and inserting in lieu thereof "the mortgagor".

REMOVAL OF DIVIDEND RESTRICTION FOR NONDWELLING FACILITIES IN SECTION 221 PROJECTS

SEC. 306. Section 221(f) of the National Housing Act is amended by striking out in the first sentence all that follows the word "mortgage" in the proviso and inserting in lieu thereof ": *Provided further*, That, in the case of a mort-

gage which bears interest at the below-market interest rate prescribed in the proviso of subsection (d) (5), the provisions of section 220 (d) (3) (B) (iv) shall only apply if the mortgagor waives the right to receive dividends on its equity investment in the portion thereof devoted to commercial facilities."

SUPPLEMENTAL LOAN PROGRAM FOR PROJECTS FINANCED WITH FEDERAL HOUSING ADMINISTRATION INSURED MORTGAGES

SEC. 307. Title II of the National Housing Act is amended by adding after section 240 (as added by section 304 of this Act) the following new section:

"SUPPLEMENTAL LOANS FOR MULTIFAMILY PROJECTS

"SEC. 241. (a) With respect to a multifamily project or group practice facility covered by a mortgage insured under any section or title of this Act, the Secretary is authorized, upon such terms and conditions as he may prescribe, to make commitments to insure, and to insure, supplemental loans (including advances during construction or improvement) made by financial institutions approved by the Secretary. As used in this section, 'supplemental loan' means a loan, advance of credit, or purchase of an obligation representing a loan or advance of credit made for the purpose of financing improvements or additions to such project or facility: *Provided*, That a loan involving a nursing home covered by a

mortgage insured under section 232 or a loan involving a group practice facility covered by a mortgage insured under title XI may also be made for the purpose of financing equipment to be used in the operation of such nursing home or facility.

"(b) To be eligible for insurance under this section, a supplemental loan shall—

"(1) be limited to 90 per centum of the amount which the Secretary estimates will be the value of such improvements, additions, and equipment, except that such amount, when added to the outstanding balance of the mortgage covering the project or facility, shall not exceed the maximum mortgage amount insurable under the section or title pursuant to which the mortgage covering such project or facility is insured;

"(2) have a maturity satisfactory to the Secretary but not to exceed the remaining term of the mortgage;

"(3) bear interest (exclusive of premium charges for insurance and service charges, if any) at not to exceed such per centum per annum (not in excess of 6 per centum), on the amount of the principal obligation outstanding at any time, as the Secretary finds necessary to meet market conditions;

"(4) be secured in such manner as the Secretary may require;

"(5) be governed by the labor standards provisions of section 212 that are applicable to the section or title pursuant to which the mortgage covering the project or facility is insured; and

"(6) contain such other terms, conditions, and restrictions as the Secretary may prescribe.

"(c) The provisions of subsections (d), (e), (g), (h), (i), (j), (k), (l), and (n) of section 207 shall be applicable to loans insured under this section, except that (1) all references to the term 'mortgage' shall be construed to refer to the term 'loan' as used in this section, (2) loans involving projects covered by a mortgage insured under section 213 that is the obligation of the Cooperative Management Housing Insurance Fund shall be insured under and shall be the obligation of such fund, and (3) loans involving projects covered by a mortgage insured under section 236 shall be insured under and shall be the obligation of the Special Risk Insurance Fund."

HOME IMPROVEMENT LOANS—INCREASE IN MAXIMUM MATURITY, FINANCE CHARGE, AND LOAN AMOUNT

SEC. 308. Section 2(b) of the National Housing Act is amended—

(1) by striking out "$3,500" and inserting in lieu thereof "$5,000";

(2) by striking out "five years" and inserting in lieu thereof "seven years";

(3) by striking out "$5 discount" and inserting in lieu thereof "$5.50 discount"; and

(4) by striking out "$4 discount" and inserting in lieu thereof "$4.50 discount".

EXPERIMENTAL HOUSING PROGRAM

SEC. 309. Section 233 of the National Housing Act is amended—

(1) by striking out "of this title" immediately before the semicolon in subsection (b) and inserting in lieu thereof "or titles of this Act"; and

(2) by striking out "of this title" in subsection (e) and inserting in lieu thereof "or title of this Act".

TERM OF FEDERAL HOUSING ADMINISTRATION MORTGAGES FOR LAND DEVELOPMENT

SEC. 310. Section 1002 (d) (1) of the National Housing Act is amended by striking out "seven years" and inserting in lieu thereof "ten years".

REHABILITATED MULTIFAMILY PROJECTS IN URBAN RENEWAL AREAS

SEC. 311. (a) Section 220 (d) (3) (B) (ii) of the National Housing Act is amended by inserting immediately before the semicolon at the end thereof ": *Provided further*, That the mortgage may involve the financing of the pur-

chase of property which has been rehabilitated by a local public agency with Federal assistance pursuant to section 110(c)(8) of the Housing Act of 1949, and, in such case, the foregoing limitations upon the amount of the mortgage shall be based upon the appraised value of the property as of the date the mortgage is accepted for insurance".

(b) Section 221(d)(3)(iii) of such Act is amended by inserting immediately before the colon at the end of the first proviso ": *Provided further*, That the mortgage may involve the financing of the purchase of property which has been rehabilitated by a local public agency with Federal assistance pursuant to section 110(c)(8) of the Housing Act of 1949, and, in such case, the amount of the mortgage shall not exceed the appraised value of the property as of the date the mortgage is accepted for insurance".

MISCELLANEOUS HOUSING INSURANCE

SEC. 312. (a) Section 223 of the National Housing Act is amended—

(1) by striking out so much of subsection (a) as precedes paragraph (1) and inserting in lieu thereof the following:

"(a) Notwithstanding any of the provisions of this Act and without regard to limitations upon eligibility contained in any section or title of this Act, the Secretary is authorized, upon application by the mortgagee, to insure

or make commitments to insure under any section or title of this Act any mortgage—";

(2) by striking out "applicable to loans insured under section 203, 207, 213, 220, 221, 222, 231, 232, or 233, as the case may be" in the first and second provisos of subsection (a) (7) and inserting in lieu thereof "prescribed under the applicable section or title of this Act";

(3) by striking out "this title" each time it appears in subsection (c) and inserting in lieu thereof "this Act";

(4) by striking out "title I, title II, title VI, title VII, title VIII, or title IX" in subsection (c) and inserting in lieu thereof "any section or title of this Act"; and

(5) by striking out "(except that in any case the payment of insurance shall be in debentures)" at the end of subsection (c).

(b) Section 223 (d) of such Act is amended by striking out all that follows "as he may prescribe," and inserting in lieu thereof the following: "insure under the same section as the original mortgage a loan by the mortgagee in an amount not exceeding the excess of the foregoing expenses over the project income. Such loan shall (1) bear interest (exclusive of premium charges for insurance) at not to exceed the per centum per annum currently permitted for

mortgages insured under the section under which it is to be insured, (2) be secured in such manner as the Secretary shall require, and (3) be limited to a term not exceeding the unexpired term of the original mortgage. The Secretary is authorized to collect a premium charge for insurance of loans pursuant to this subsection in an amount computed at the same premium rate as is applicable to the original mortgage. This premium shall be payable in cash or in debentures of the insurance fund under which the loan is insured at par plus accrued interest. In the event of a failure of the borrower to make any payment due under such loan or under the original mortgage, both the loan and original mortgage shall be considered in default, and if such default continues for a period of thirty days, the lender shall be entitled to insurance benefits, computed in the same manner as for the original mortgage, except that in determining the interest rate under section 224 for the debentures representing the portion of the claim applicable to the loan, the date of the commitment to insure the loan and the insurance date of the loan shall be taken into consideration rather than the commitment or insurance date for the original mortgage."

SUPPLEMENTARY LOANS FOR COOPERATIVE HOUSING PURCHASED FROM THE FEDERAL GOVERNMENT

SEC. 313. Section 213 (j) of the National Housing Act is amended—

(1) by inserting after the first sentence of paragraph (1) the following sentence: "The Secretary is further authorized to make commitments to insure and to insure supplementary cooperative loans (including advances during construction or improvement) with respect to any property purchased from the Federal Government by a nonprofit corporation or trust of the character described in paragraph (1) of subsection (a), if the property is covered by an uninsured mortgage representing a part of the purchase price."; and

(2) by adding before the semicolon at the end of paragraph (2) (B) the following: "; except that, in the case of repairs or improvements to a property covered by an uninsured mortgage dated more than twenty years prior to the date of the commitment to insure, of such magnitude that the Secretary deems them to be a major rehabilitation or modernization of such property, the loan may have a maturity date up to ten years in excess of the remaining term of the uninsured mortgage".

EQUIPMENT IN NURSING HOMES

SEC. 314. Section 232 of the National Housing Act is amended—

(1) by striking out subsection (b) (2) and inserting in lieu thereof the following:

"(2) the term 'mortgage' means a first mortgage on real estate in fee simple, or on the interest of either the lessor or lessee thereof (A) under a lease for not less than ninety-nine years which is renewable, or (B) under a lease having a period of not less than fifty years to run from the date the mortgage was executed. The term 'first mortgage' means such classes of first liens as are commonly given to secure advances (including but not limited to advances during construction) on, or the unpaid purchase price of, real estate under the laws of the State in which the real estate is located, together with the credit instrument or instruments, if any, secured thereby, and any mortgage may be in the form of one or more trust mortgages or mortgage indentures or deeds of trust, securing notes, bonds, or other credit instruments, and, by the same instrument or by a separate instrument, may create a security interest in initial equipment, whether or not attached to the realty. The term 'mortgagor' shall have the meaning set forth in section 207 (a) of this Act.";

(2) by striking out so much of subsection (d) as precedes paragraph (1) and inserting in lieu thereof the following:

"(d) In order to carry out the purposes of this section, the Secretary is authorized to insure any mortgage which

covers a new or rehabilitated nursing home, including equipment to be used in its operation, subject to the following conditions:"; and

(3) by striking out "when the proposed improvements are completed" before the period at the end of subsection (d) (2) and inserting in lieu thereof the following: ", including equipment to be used in the operation of the nursing home, when the proposed improvements are completed and the equipment is installed".

FLEXIBLE INTEREST RATES FOR CERTAIN FHA INSURANCE PROGRAMS

SEC. 315. Section 3 (a) of the Act entitled "An Act to amend chapter 37 of title 38 of the United States Code with respect to the veterans' home loan program, to amend the National Housing Act with respect to interest rates on insured mortgages, and for other purposes", approved May 7, 1968, is amended by inserting "235 (j) (2) (C), 236 (j) (4) (B), 240 (c) (4), 241 (b) (3), 242 (d) (3) (B)," after "234 (f),".

FHA SECTION 221(h) PROGRAM

SEC. 316. (a) Section 221 (h) (2) (A) of the National Housing Act is amended to read as follows:

"(A) be executed by a private nonprofit corpora-

tion or association, approved by the Secretary, for financing the purchase and rehabilitation (with the intention of subsequent resale) of property comprising one or more tracts or parcels, whether or not contiguous, upon which there is located deteriorating or substandard housing consisting of (i) four or more single-family dwellings of detached, semidetached, or row construction, or (ii) four or more one-family units in a structure or structures for which a plan of family unit ownership approved by the Secretary is established;".

(b) Section 221 (h) of such Act is amended by adding at the end thereof (after the new paragraph added by section 101 (c) (3) of this Act) two new paragraphs as follows:

"(7) Where the Secretary has approved a plan of family unit ownership, the terms 'single-family dwelling', 'single-family dwellings', 'individual dwelling', and 'individual dwellings' shall mean a family unit or family units, together with the undivided interest (or interests) in the common areas and facilities.

"(8) For purposes of this subsection, the terms 'single-family dwelling' and 'single-family dwellings' (except for purposes of paragraph (7)) shall include a two-family dwelling which has been approved by the Secretary if one of the units is to be occupied by the owner."

HOUSING IN OUTLYING AREAS

SEC. 317. Section 203 (i) of the National Housing Act is amended by striking out "not in excess of $12,500" and inserting in lieu thereof "not in excess of $15,000".

TITLE IV—URBAN RENEWAL

NEIGHBORHOOD DEVELOPMENT PROGRAMS

SEC. 401. (a) Title I of the Housing Act of 1949 is amended by adding after the title heading the following new subheading:

"PART A—URBAN RENEWAL PROJECTS, DEMOLITION PROGRAMS, AND CODE ENFORCEMENT PROGRAMS"

(b) Title I of such Act is further amended by adding at the end thereof the following new part:

"PART B—NEIGHBORHOOD DEVELOPMENT PROGRAMS

"PURPOSE AND AUTHORITY

"SEC. 131. (a) To facilitate more rapid renewal and development of urban areas on an effective scale, and to encourage more efficient and flexible utilization of public and private development opportunities by local communities in such areas, the Secretary is authorized to make financial assistance available under this title to local public agencies for undertakings and activities which are carried out under a neighborhood development program approved by him pursuant to this part.

"(b) A neighborhood development program shall con-

sist of urban renewal project undertakings and activities in one or more urban renewal areas which are planned and carried out on the basis of annual increments in accordance with the provisions of this title for planning and carrying out urban renewal projects, except as modified by the provisions of this part.

"(c) No application for financial assistance in planning and carrying out a neighborhood development program shall be approved by the Secretary unless—

"(1) the governing body of the locality has, by resolution or ordinance, approved the proposed program and the annual increment covered by the application and authorized the filing of the application for financial assistance; and

"(2) the Secretary has concluded that there is the necessary capacity to carry out the undertakings and activities included under the program.

"FINANCIAL PROVISIONS

"SEC. 132. (a) Upon the approval of a neighborhood development program by the Secretary, the cost of any undertakings and activities authorized as part of the program shall be financed in accordance with the loan, capital grant, and project cost provisions of part A, except that—

"(1) net project cost may be calculated on the basis

of costs incurred and proceeds derived for the account of the program during a specified twelve-month period, and may be recalculated for succeeding periods of twelve months to reflect additional costs and additional proceeds since the date of the last computation or recomputation; and

"(2) if property has been acquired but not disposed of prior to the computation or recomputation of net project cost, temporary loans made or secured under this title to finance undertakings or activities included in the program may remain outstanding until the property has been disposed of and the proceeds thereof, together with additional funds becoming available to the program, are sufficient to permit repayment of the loans.

"(b) In the event that gross project cost as computed for a specified twelve-month period is exceeded, with respect to that period, by the sum of (1) the sales price of land or other property sold, and (2) the imputed capital value of land or other property leased or retained by the local public agency in accordance with the provisions of the urban renewal plan, the local public agency shall pay to the Secretary two-thirds of the excess (or three-fourths in the case of a program on a three-fourths grant basis), which amount shall be available to the Secretary for grant payments under section 103.

"LOCAL GRANTS-IN-AID

"SEC. 133. (a) For the purpose of determining the eligibility of local grants-in-aid in connection with undertakings and activities carried out under a neighborhood development program, the three-year period referred to in the second paragraph of section 110 (d) shall be deemed to be a period of three years prior to the authorization by the Secretary of the first contract for financial assistance under the program which includes the urban renewal area which is benefited by the public improvement or facility for which credit is claimed; and the seven-year period referred to in clause (1) of section 112 (b) shall be deemed to be a period of seven years prior to the date of authorization by the Secretary of the first contract for financial assistance under the program which includes the urban renewal area which is benefited by the expenditures for which credit is claimed.

"(b) No portion of the cost of a public improvement or public facility (to the extent otherwise eligible) may be included as a local grant-in-aid in computing the gross project cost of an approved program for any twelve-month period—

"(1) prior to commencement of construction of the improvement or facility, or

"(2) in excess of the amount actually expended or obligated by contract.

"(c) The provisions of section 104 with respect to the pooling of local grants-in-aid among the various projects undertaken by a local public agency shall not be applicable with respect to any excess local grants-in-aid resulting from the urban renewal projects contained in a neighborhood development program.

"GENERAL PROVISIONS

"SEC. 134. (a) For purposes of this part—

"(1) the workable program requirement in section 101(c) shall apply to the authorization, rather than the execution, of any contract for loans or capital grants;

"(2) capital grants on a three-fourths basis may only be made under section 103(a)(2)(B);

"(3) the relocation requirements specified in section 105(c) shall apply to each annual increment of an approved program;

"(4) section 106(g) (relating to transient housing) shall apply to activities undertaken under approved programs, except that the determination as to need for transient housing shall be made with respect to any sale or lease of land for construction of such housing prior to such sale or lease; and

"(5) the requirement concerning demolition and removal of buildings and improvements stated in clause (A) of the sentence following paragraph (10) of sec-

tion 110(c) shall apply to each annual increment of an approved program.

"(b) The approval by the Secretary of financial assistance for one or more annual increments of a neighborhood development program shall not be considered as obligating him to provide financial assistance for any subsequent annual increments.

"(c) The urban renewal plan referred to in section 110 (b) may cover one or more of the urban renewal areas covered by a neighborhood development program and such plan may be modified from time to time to cover additional urban renewal areas added to the program. The Secretary may establish such requirements as he deems appropriate prescribing the scope and content of such plan, taking into consideration, among other matters, the degree of detail needed in the plan to properly and expeditiously carry out the activities and undertakings proposed in any annual increment of a neighborhood development program."

(c) Notwithstanding any requirement or condition to the contrary in section 6 or 20(i) of the District of Columbia Redevelopment Act of 1945 or in any other provision of law, the District of Columbia Redevelopment Land Agency may plan and undertake neighborhood development programs under part B of title I of the Housing Act of 1949 (as added by this section), subject to all of the provisions of

such Act of 1945 to the extent not inconsistent with such part B, and any such program shall be regarded as complying with the requirements of such sections 6 and 20 (i) and of such other provision of law if it meets the applicable requirements established under such part B.

INCREASED AUTHORIZATION

SEC. 402. (a) Section 103 (b) of the Housing Act of 1949 is amended by striking out everything in the first sentence after "exceed" and inserting in lieu thereof "$7,600,000,000, which amount shall be increased by $1,400,000,000 on July 1, 1969".

(b) Section 103 (b) of such Act is further amended by striking out "$250,000,000" in the second sentence and inserting in lieu thereof "$600,000,000".

REHABILITATION GRANTS

SEC. 403. (a) The second sentence of section 115 (a) of the Housing Act of 1949 is amended by striking out the words "a structure" and "such structure" and inserting in lieu thereof "real property" and "such real property", respectively.

(b) Section 115 (b) of such Act is amended by striking out "$1,500" and inserting in lieu thereof "$3,000".

(c) Section 115 (a) of such Act is amended by inserting "(1)" after "(a)", and by adding at the end thereof a new paragraph as follows:

"(2) In addition to the authority conferred by paragraph (1), and notwithstanding any other provision of this title, the Secretary is authorized, through the utilization of local public agencies where feasible, to make grants (payable from any grant funds provided under section 103 (b)) to an individual or family, as described in subsection (c), to cover the cost of repairs and improvements necessary to make real property owned and occupied by such individual or family conform to public standards for decent, safe, and sanitary housing as required by applicable codes. No grants shall be made under this paragraph in the case of any property unless such property is in an area within a locality (other than an urban renewal area or an area in which a program of concentrated code enforcement is being carried out pursuant to section 117) which the governing body of the locality has determined, and so certifies to the Secretary, contains a substantial number of structures in need of rehabilitation.

(d) Section 115 of such Act is further amended—

(1) by redesignating subsection (b) as subsection (c) and inserting after subsection (a) a new subsection (b) as follows:

"(b) The Secretary is authorized to make grants (payable from any grant funds provided under section 103 (b)), through the utilization of local public and private agencies

where feasible, to an individual or family, as described in subsection (c), who owns and occupies real property which has been determined to be uninsurable because of physical hazards after an inspection pursuant to a statewide property insurance plan approved by the Secretary under title XII of the National Housing Act. Such grants may only be made to rehabilitate such property to the extent which the Secretary determines to be necessary to make it meet reasonable underwriting standards imposed by such plan and only where the property is located in an area which the Secretary determines (1) is sufficiently stable and contains sufficient public facilities and amenities to support long-term values, or (2) is one in which public or private actions are being carried out, or are proposed to be carried out, of such scope and quality as to give reasonable promise that a stable environment will be created."; and

(2) by striking out "subsection (b)" in subsection (a) and inserting in lieu thereof "subsection (c)".

REHABILITATION IN URBAN RENEWAL AREAS

SEC. 404. Section 110(c)(8) of the Housing Act of 1949 is amended by striking out (1) "guidance purposes, and", and (2) the proviso at the end thereof.

DISPOSITION OF PROPERTY FOR LOW AND MODERATE INCOME HOUSING

SEC. 405. Section 107 (a) of the Housing Act of 1949 is amended—

(1) by inserting "or other approved purchaser or lessee," after "public body or agency,";

(2) by inserting ", section 221 (h) (1), section 235 (j) (1), or section 236" after "or (d) (4)";

(3) by inserting "or lessee" after "a purchaser" and after "such purchaser", and "or lease" after "purchase";

(4) by striking out "rental or cooperative"; and

(5) by striking out "moderate" and inserting in lieu thereof "low or moderate".

CAPITAL GRANTS FOR LOW AND MODERATE INCOME HOUSING IN OPEN LAND PROJECTS

SEC. 406. Section 103 (a) (1) of the Housing Act of 1949 is amended by inserting before the period at the end thereof the following: ", except that he may contract for such a grant in an amount not to exceed two-thirds of the difference between the proceeds from any land disposed of

pursuant to section 107 and the fair value of the land without regard to such section".

URBAN RENEWAL LOAN CONTRACTS

SEC. 407. (a) Section 102(c) of the Housing Act of 1949 is amended—

(1) by striking out "at interest rates lower than provided in the loan contract" in the first sentence; and

(2) by inserting before the period at the end of the first sentence the following: ": *Provided*, That, if at any time during the undertaking of the project, the interest rate on such a loan from a source other than the Federal Government is greater than the rate at which funds could be made available under the Federal loan contract, the Secretary may make a supplemental grant to the local public agency in the amount of the difference between the interest cost from such sources and the interest cost at the contract rate, and no part of the amount of any such grant shall be required to be contributed as a part of the local grant-in-aid".

(b) Loan contracts outstanding on the date of enactment of this section may be amended to incorporate the provisions authorized by the amendment contained in subsection (a) without regard to the proviso in section 110(g) of the Housing Act of 1949.

PROJECT COMPLETION PRIOR TO DISPOSITION OF CERTAIN PROPERTY

SEC. 408. (a) Section 106 of the Housing Act of 1949 is amended by adding at the end thereof the following new subsection:

"(i) Upon a determination by the Secretary that (1) not more than 5 per centum of the total area of land acquired as part of an urban renewal project remains to be disposed of, (2) the local public agency does not expect to be able, due to circumstances beyond its control, to dispose of such land in the near future, (3) all other project activities are completed, and (4) the local public agency has agreed to dispose of or retain such land for uses in accordance with the urban renewal plan, the urban renewal project may be deemed completed, and the net project cost may be computed and the capital grant paid."

(b) Section 110(f) of such Act is amended by inserting before the period at the end thereof the following: "or for subsequent disposition or retention as provided under section 106(i)".

REHABILITATION LOANS

SEC. 409. (a) The first sentence of section 312(d) of the Housing Act of 1964 is amended to read as follows: "There is authorized to be appropriated for each fiscal year

such amounts as may be necessary which shall constitute a revolving fund to be used by the Secretary in carrying out this section."

(b) Section 312 (h) of such Act is amended by striking out "October 1, 1969" and inserting in lieu thereof "June 30, 1973".

(c) Section 312 (a) of such Act is amended to read as follows:

"(a) The Secretary is authorized, through the utilization of local public and private agencies where feasible, to make loans as herein provided to the owners and tenants of property to finance the rehabilitation of such property. No loan shall be made under this section unless—

"(1) (A) the property is situated in an urban renewal area or an area in which a program of concentrated code enforcement activity is being carried out pursuant to section 117 of the Housing Act of 1949, and the rehabilitation is required to make the property conform to applicable code requirements or to carry out the objectives of the urban renewal plan for the area and, in addition, to generally improve the condition of the property; or

"(B) (i) the property is in an area (other than an area described in subparagraph (A)) which the governing body of the locality has determined, and so certifies

to the Secretary, contains a substantial number of structures in need of rehabilitation and (ii) the property is residential, owner-occupied, and in need of substantial rehabilitation;

"(2) the applicant is unable to secure the necessary funds from other sources upon comparable terms and conditions; and

"(3) the loan is an acceptable risk taking into consideration the need for the rehabilitation, the security available for the loan, and the ability of the applicant to repay the loan."

(d) Section 312 of such Act is further amended—

(1) by inserting "or" after the semicolon at the end of paragraph (1) (B) in subsection (a) (as amended by subsection (c) of this section), and by inserting after such paragraph (1) (B) the following new subparagraph:

"(C) (i) the property has been determined to be uninsurable because of physical hazards after an inspection pursuant to a statewide property insurance plan approved by the Secretary under title XII of the National Housing Act, (ii) the loan is made to the owner or tenant of the property to finance rehabilitation which the Secretary determines to be necessary to make the

property meet reasonable underwriting standards, and (iii) the property is located in an area which the Secretary determines is sufficiently stable and contains sufficient public facilities and amenities to support long-term values, or is one in which public or private actions are being carried out, or are proposed to be carried out, of such scope and quality as to give reasonable promise that a stable environment will be created;"; and

(2) by striking out "or" after "applicable codes" in subsection (b) (1) and inserting in lieu thereof a comma, and by inserting after "urban renewal plan" in such subsection ", or a Statewide property insurance plan".

DEMOLITION GRANTS

SEC. 410. (a) The first sentence of section 116 (a) of the Housing Act of 1949 is amended by inserting after "unsound" the following: ", a harborage or potential harborage of rats,".

(b) Section 116 (b) of such Act is amended by inserting after the comma at the end of clause (2) the following: "or will be consistent with a systematic rodent control program being undertaken in the neighborhood,".

AIR RIGHTS SITES IN URBAN RENEWAL AREAS

SEC. 411. (a) Section 110 (c) (1) (iv) of the Housing Act of 1949 is amended by striking out "for use for indus-

trial development" and inserting in lieu thereof "for use for the development of industrial or educational facilities".

(b) Section 110(c)(7) of such Act is amended by striking out "for industrial development" and inserting in lieu thereof "for the development of industrial or educational facilities".

INTERIM ASSISTANCE FOR BLIGHTED AREAS

SEC. 412. Title I of the Housing Act of 1949 is amended by adding after section 117 a new section as follows:

"INTERIM ASSISTANCE FOR BLIGHTED AREAS

"SEC. 118. Notwithstanding any other provision of this title, the Secretary is authorized to enter into contracts (in an aggregate amount not to exceed $40,000,000 in any fiscal year) to make, and to make, grants as provided in this section (payable from any grant funds provided under section 103(b)) to cities, other municipalities, and counties for the purpose of assisting such localities in carrying out programs to alleviate harmful conditions in slum and blighted areas which are planned for substantial clearance, rehabilitation, or federally assisted code enforcement in the near future but in which some immediate public action is needed until clearance, rehabilitation, or code enforcement activities can be undertaken. Such grants shall not exceed two-thirds (or three-fourths in the case of any city, other municipality,

or county having a population of fifty thousand or less according to the most recent decennial census) of the cost of planning and carrying out programs which may include (1) the repair of streets, sidewalks, parks, playgrounds, publicly owned utilities, and public buildings to meet needs consistent with the short-term continued use of the area prior to the undertaking of the contemplated clearance or upgrading activities, (2) the improvement of private properties to the extent needed to eliminate the most immediate dangers to public health and safety, (3) the demolition of structures determined to be structurally unsound or unfit for human habitation and which constitute a public nuisance and serious hazard to the public health and safety, (4) the establishment of temporary public playgrounds on vacant land within the area, and (5) the improvement of garbage and trash collection, street cleaning, and similar activities. The Secretary shall encourage, wherever feasible, the employment of otherwise unemployed or underemployed residents of the area in carrying out the activities and undertakings assisted under this section. The provisions of sections 101 (c), 106, and 114 shall be applicable to activities and undertakings assisted under this section to the same extent as if such activities and under-

takings were being carried out in an urban renewal area as part of an urban renewal project."

LOW AND MODERATE INCOME HOUSING IN RESIDENTIAL URBAN RENEWAL AREAS

SEC. 413. Section 105 (f) of the Housing Act of 1949 is amended to read as follows:

"(f) A majority of the housing units provided in each community's total of such approved urban renewal projects as will be redeveloped for predominantly residential uses and which receive Federal recognition after the date of enactment of the Housing and Urban Development Act of 1968 shall be standard housing units for low and moderate income families or individuals: *Provided*, That the units in each community's total of such approved urban renewal projects which are for low income families or individuals shall constitute at least 20 per centum of the units in such projects."

WORKABLE PROGRAM REQUIREMENT IN CASE OF INDIAN TRIBES

SEC. 414. Section 101 (c) of the Housing Act of 1949 is amended by inserting after "1964" in the second proviso the following: "or, in the case of an Indian tribe, band, or nation, commencing January 1, 1969".

TITLE V—URBAN PLANNING AND FACILITIES

COMPREHENSIVE PLANNING

SEC. 501. Section 701 of the Housing Act of 1954 is amended to read as follows:

"COMPREHENSIVE PLANNING

"SEC. 701. (a) In order to assist State and local governments in solving planning problems, including those resulting from the increasing concentration of population in metropolitan and other urban areas and the out-migration from and lack of coordinated development of resources and services in rural areas; to facilitate comprehensive planning for urban and rural development, including coordinated transportation systems, on a continuing basis by such governments; and to encourage such governments to establish and improve planning staffs and techniques on an areawide basis, and to engage private consultants where their professional services are deemed appropriate by the assisted governments, the Secretary is authorized to make planning grants to—

"(1) State planning agencies for the provision of planning assistance to (A) cities and other municipalities having a population of less than 50,000 according to the latest decennial census, and counties without regard to population: *Provided,* That grants shall be made under this paragraph for planning assistance to counties having a population of 50,000 or more,

according to the latest decennial census, which are within metropolitan areas, only if (i) the Secretary finds that planning and plans for such county will be coordinated with the program of comprehensive planning, if any, which is being carried out for the metropolitan area of which the county is a part, and (ii) the aggregate amount of the grants made subject to this proviso does not exceed 15 per centum of the aggregate amount appropriated, after September 2, 1964, for the purposes of this section, (B) any group of adjacent communities, either incorporated or unincorporated, having a total population of less than 50,000 according to the latest decennial census and having common or related urban planning problems, (C) cities, other municipalities, and counties referred to in paragraph (3) of this subsection, and areas referred to in paragraph (4) of this subsection, and (D) Indian reservations;

"(2) State, metropolitan, and regional planning agencies for metropolitan or regional planning, and to cities within metropolitan areas for planning which is part of comprehensive metropolitan planning and which shall supplement and be coordinated with State, metropolitan, and regional planning;

"(3) cities, other municipalities, and counties which

(A) are situated in redevelopment areas or economic development districts designated by the Secretary of Commerce under title IV of the Public Works and Economic Development Act of 1965, or (B) have suffered substantial damage as a result of a catastrophe which the President, pursuant to section 2(a) of the Act entitled 'An Act to authorize Federal assistance to States and local governments in major disasters, and for other purposes', approved September 30, 1950, as amended (42 U.S.C. 1855a), has determined to be a major disaster;

"(4) official governmental planning agencies for areas where rapid urbanization has resulted or is expected to result from the establishment or rapid and substantial expansion of a Federal installation, or for areas where rapid urbanization is expected to result on land developed or to be developed as a new community approved under section 1004 of the National Housing Act;

"(5) States for State and interstate comprehensive planning and for research and coordination activity related thereto, including technical and other assistance for the establishment and operation of intrastate and interstate planning agencies;

"(6) State planning agencies for assistance to dis-

trict planning, or planning for areas within districts, carried on by or for district planning agencies;

"(7) metropolitan and regional planning agencies, with the approval of the State planning agency or (in States where no such planning agency exists) of the Governor of the State, for the provision of planning assistance within the metropolitan area or region to cities, other municipalities, counties, groups of adjacent communities, or Indian reservations described in clauses (A), (B), (C), and (D) of paragraph (1) of this subsection;

"(8) official governmental planning agencies for any area where there has occurred a substantial reduction in employment opportunities as the result of (A) the closing (in whole or in part) of a Federal installation, or (B) a decline in the volume of Government orders for the procurement of articles or materials produced or manufactured in such area;

"(9) tribal planning councils or other tribal bodies designated by the Secretary of the Interior for planning for an Indian reservation;

"(10) the Appalachian Regional Commission, established by the Appalachian Regional Development Act of 1965, for comprehensive planning for the Appalachian region as defined by section 403 of such Act

(or State agencies or instrumentalities participating in such planning) ; and

"(11) local development districts, certified under section 301 of the Appalachian Regional Development Act of 1965, for comprehensive planning for their entire areas, or for metropolitan planning, urban planning, county planning, or small municipality planning within such areas in the Appalachian region, and for planning for Appalachian regional programs.

Planning assisted under this section shall, to the maximum extent feasible, cover entire areas having common or related development problems. The Secretary shall encourage cooperation in preparing and carrying out plans among all interested municipalities, political subdivisions, public agencies, and other parties in order to achieve coordinated development of entire areas. To the maximum extent feasible, pertinent plans and studies already made for areas shall be utilized so as to avoid unnecessary repetition of effort and expense. Planning which may be assisted under this section includes the preparation of comprehensive transportation surveys, studies, and plans to aid in solving problems of traffic congestion, facilitating the circulation of people and goods in metropolitan and other areas and reducing transportation needs. Planning carried out with assistance under this section shall also include a housing element as part of the

preparation of comprehensive land use plans, and this consideration of the housing needs and land use requirements for housing in each comprehensive plan shall take into account all available evidence of the assumptions and statistical basis upon which the projection of zoning, community facilities, and population growth is based, so that the housing needs of both the region and the local communities studied in the planning will be adequately covered in terms of existing and prospective in-migrant population growth. Funds available under this section shall be in addition to and may be used jointly with funds available for planning surveys and investigations under other federally aided programs, and nothing contained in this section shall be construed as affecting the authority of the Secretary of Transportation under section 307 of title 23, United States Code.

"(b) A planning grant made under subsection (a) shall not exceed two-thirds of the estimated cost of the work for which the grant is made: *Provided,* That such a grant may be made for up to 75 per centum of such estimated cost when made for planning primarily for (1) redevelopment areas, local development districts, or economic development districts, or portions thereof, described in paragraphs (3) (A) and (11) of subsection (a), (2) areas described in subsection (a) (8), and (3) the Appalachian region, as described in

subsection (a) (10). All grants made under this section shall be subject to terms and conditions prescribed by the Secretary. No portion of any grant made under this section shall be used for the preparation of plans for specific public works. The Secretary is authorized, notwithstanding the provisions of section 3648 of the Revised Statutes, as amended, to make advance or progress payments on account of any grant made under this section. There are authorized to be appropriated for the purposes of this section not to exceed $265,000,000 prior to July 1, 1969, and not to exceed $390,000,000 prior to July 1, 1970. Of the amount available prior to July 1, 1969, $20,000,000 may be used only for district planning grants under subsection (a) (6), which amount shall be increased by $10,000,000 on July 1, 1969. Any amounts appropriated under this section shall remain available until expended: *Provided,* That of any funds appropriated under this section, not to exceed an aggregate of $10,000,000 plus 5 per centum of the funds so appropriated may be used by the Secretary for studies, research, and demonstration projects, undertaken independently or by contract, for the development and improvement of techniques and methods for comprehensive planning and for the advancement of the purposes of this section, and for grants to assist in the conduct of studies and research relating to needed revisions in State

statutes which create, govern, or control local governments and local governmental operations.

"(c) The Secretary is authorized, in areas embracing several municipalities or other political subdivisions, to encourage planning on a unified regional, district, or metropolitan basis and to provide technical assistance for such planning and the solution of problems relating thereto.

"(d) It is the further intent of this section to encourage comprehensive planning, including transportation planning, for States, cities, counties, metropolitan areas, districts, regions, and Indian reservations and the establishment and development of the organizational units needed therefor. In extending financial assistance under this section, the Secretary may require such assurances as he deems adequate that the appropriate State and local agencies are making reasonable progress in the development of the elements of comprehensive planning. The Secretary is authorized to provide technical assistance to State and local governments and their agencies and instrumentalities, and to Indian tribal bodies, undertaking such planning and, by contract or otherwise, to make studies and publish information on related problems.

"(e) In the exercise of his responsibilities under this section, the Secretary shall consult with those officials of the Federal Government responsible for the administration of

programs of Federal assistance to the States and municipalities for various categories of public facilities and other comprehensively planned activities. He shall, particularly, consult with the Secretary of Agriculture prior to his approval of any district planning grants under subsections (a) (6) and (g). The Secretary of Agriculture may provide technical assistance, with or without reimbursement, in connection with the establishment of such districts and the carrying out of such planning.

"(f) The consent of the Congress is hereby given to any two or more States to enter into agreements or compacts, not in conflict with any law of the United States, for cooperative efforts and mutual assistance in the comprehensive planning for the growth and development of interstate, metropolitan, or other urban areas, and to establish such agencies, joint or otherwise, as they may deem desirable for making effective such agreements and compacts.

"(g) In addition to the planning grants authorized by subsection (a), the Secretary is further authorized to make grants to organizations composed of public officials representative of the political jurisdictions within the metropolitan area, region, or district for the purpose of assisting such organizations to undertake studies, collect data, develop metropolitan, regional, and district plans and programs, and engage in such other activities as the Secretary finds

necessary or desirable for the solution of the metropolitan, regional, or district problems in such areas, regions, or districts. To the maximum extent feasible, all grants under this subsection shall be for activities relating to all the developmental aspects of the total metropolitan area, region, or district including, but not limited to, land use, transportation, housing, economic development, natural resources development, community facilities, and the general improvement of living environments. A grant under this subsection shall not exceed two-thirds of the estimated cost of the work for which the grant is made.

"(h) In addition to the other grants authorized by this section, the Secretary is authorized to make grants to assist any city, other municipality, or county in making a survey of the structures and sites in such locality which are determined by its appropriate authorities to be of historic or architectural value. Any such survey shall be designed to identify the historic structures and sites in the locality, determine the cost of their rehabilitation or restoration, and provide such other information as may be necessary or appropriate to serve as a foundation for a balanced and effective program of historic preservation in such locality. The aspects of any such survey which relate to the identification of historic and architectural values shall be conducted in accord-

ance with criteria found by the Secretary to be comparable to those used in establishing the national register maintained by the Secretary of the Interior under other provisions of law; and the results of each such survey shall be made available to the Secretary of the Interior. A grant under this subsection shall not exceed two-thirds of the cost of the survey for which it is made, and shall be made to the appropriate agency or entity specified in paragraphs (1) through (11) of subsection (a) or, if there is no such agency or entity which is qualified and willing to receive the grant and provide for its utilization in accordance with this subsection, directly to the city, other municipality, or county involved.

"(i) As used in this section—

"(1) The term 'metropolitan area' means a standard metropolitan statistical area, as established by the Bureau of the Budget, subject, however, to such modifications or extensions as the Secretary deems to be appropriate for the purposes of this section.

"(2) The term 'region' includes (A) all or part of the area of jurisdiction of one or more units of general local government, and (B) one or more metropolitan areas.

"(3) The term 'district' includes all or part of the area of jurisdiction of (A) one or more counties, and (B) one or more other units of general local government, but does not include any portion of a metropolitan area.

"(4) The term 'comprehensive planning' includes the following:

"(A) preparation, as a guide for governmental policies and action, of general plans with respect to (i) the pattern and intensity of land use, (ii) the provision of public facilities (including transportation facilities) and other government services, and (iii) the effective development and utilization of human and natural resources;

"(B) long-range physical and fiscal plans for such action;

"(C) programing of capital improvements and other major expenditures, based on a determination of relative urgency, together with definitive financing plans for such expenditures in the earlier years of the program;

"(D) coordination of all related plans and activities of the State and local governments and agencies concerned; and

"(E) preparation of regulatory and administrative measures in support of the foregoing.

Comprehensive planning for the purpose of districts shall not include planning for or assistance to establishments in relocating from one area to another or assist subcontractors whose purpose is to divest, or whose economic success is dependent upon divesting, other con-

tractors or subcontractors of contracts theretofore customarily performed by them: *Provided,* That this limitation shall not be construed to prohibit assistance for the expansion of an existing business entity through the establishment of a new branch, affiliate, or subsidiary of such entity, if the Secretary finds that the establishment of such branch, affiliate, or subsidiary will not result in an increase in unemployment in the area of original location or in any other area where such entity conducts business operations, unless the Secretary has reason to believe that such branch, affiliate, or subsidiary is being established with the intention of closing down the operations of the existing business entity in the area of its original location or in any other area where it conducts such operations.

"(5) The term 'State planning agencies' includes official State planning agencies and (in States where no such planning agency exists) agencies or instrumentalities of State government designated by the Governor of the State and acceptable to the Secretary.

"(6) The terms 'metropolitan planning agencies', 'regional planning agencies', and 'district planning agencies' mean official metropolitan, regional, and district planning agencies, or other agencies and instrumentalities designated by the Governor (or Governors in the case of interstate

planning), and acceptable to the Secretary, empowered under State or local law or interstate compact to perform metropolitan, regional, or district planning, respectively: *Provided,* That such agencies and instrumentalities shall, to the greatest practicable extent, be composed of or responsible to the elected officials of the unit or units of general local government for whose jurisdictions they are empowered to engage in planning."

PLANNED AREAWIDE DEVELOPMENT

SEC. 502. (a) The heading of title II of the Demonstration Cities and Metropolitan Development Act of 1966 is amended to read as follows: "TITLE II—PLANNED AREAWIDE DEVELOPMENT".

(b) Section 201 of such Act is amended to read as follows:

"FINDINGS AND DECLARATION OF PURPOSE

"SEC. 201. (a) The Congress hereby finds that the welfare of the Nation and of its people is directly dependent upon the sound and orderly development and the effective organization and functioning of our State and local governments.

"It further finds that it is essential that our State and local governments prepare, keep current, and carry out comprehensive plans and programs for their orderly physical

development with a view to meeting efficiently all their economic and social needs.

"It further finds that our State and local governments are especially handicapped in this task by the complexity and scope of governmental services required, the multiplicity of political jurisdictions and agencies involved, and the inadequacy of the operational and administrative arrangements available for cooperation among them.

"It further finds that present requirements for areawide planning and programing in connection with various Federal programs have materially assisted in the solution of areawide problems, but that greater coordination of Federal programs and additional participation and cooperation are needed from the States and localities in perfecting and carrying out such efforts.

"(b) It is the purpose of this title to provide through greater coordination of Federal programs, and through supplementary grants for certain federally assisted development projects, additional encouragement and assistance to States and localities for making comprehensive areawide planning and programing effective."

(c) Section 202 of such Act is amended by striking out "metropolitan" each place it appears and inserting in lieu thereof "areawide".

(d) (1) Section 205 of such Act is amended by striking

out "metropolitan development" each place it appears and inserting in lieu thereof "areawide development".

(2) Such section is further amended by striking out "metropolitan areas" and "metropolitan area" and inserting in lieu thereof "areas" and "area", respectively.

(3) Such section is further amended by striking out "metropolitanwide" each place it appears, and inserting in lieu thereof "areawide".

(4) Such section is further amended by striking out "metropolitan planning" each place it appears and inserting in lieu thereof "areawide planning".

(5) Such section is further amended by inserting "where appropriate," after "(B)" in subsection (c)(1).

(6) Such section is further amended by striking out "within the metropolitanwide area" in subsection (f).

(e)(1) Paragraphs (1) and (2) of section 208 of such Act are amended by striking out "Metropolitan" and inserting in lieu thereof "Areawide".

(2) Paragraph (7) of such section is amended—

(A) by striking out "or metropolitan or regional" and inserting in lieu thereof ", metropolitan, regional, or district"; and

(B) by striking out "metropolitan" in the parenthetical phrase.

(f) Section 206(b) of such Act is amended by striking

out the second sentence and inserting in lieu thereof the following: "Any amounts appropriated under this section shall remain available until expended, and any amounts authorized for any fiscal year under this section but not appropriated may be appropriated for any succeeding fiscal year commencing prior to July 1, 1970."

ADVANCE ACQUISITION OF LAND

SEC. 503. (a) Section 701 of the Housing and Urban Development Act of 1965 is amended by striking out "in connection with the future construction of public works and facilities" in clause (3) and inserting in lieu thereof "in the future for public purposes".

(b) Section 704 of such Act is amended to read as follows:

"ADVANCE ACQUISITION OF LAND

"SEC. 704. (a) In order to encourage and assist the timely acquisition of land planned to be utilized in the future for public purposes, the Secretary is authorized to make grants to States and local public bodies and agencies to assist in financing the acquisition of a fee simple estate or other interest in such land.

"(b) The amount of any grant made under this section shall not exceed the aggregate amount of reasonable interest charges on the loans or other financial obligations incurred to finance the acquisition of such land for a period not in excess

of the lesser of (1) five years from the date of acquisition of such land or (2) the period of time between the date on which the land was acquired and the date its use began for the purpose for which it was acquired: *Provided,* That where all or any portion of the cost of such land is not financed through borrowings, the amount of the grant shall be computed on the basis of the aggregate amount of reasonable interest charges that the Secretary determines would have been required.

"(c) No grant shall be made under this section unless the Secretary determines that the land will be utilized for a public purpose within a reasonable period of time and that such utilization will contribute to economy, efficiency, and the comprehensively planned development of the area. The Secretary shall in all cases require that land acquired with the assistance of a grant under this section be utilized for a public purpose within five years after the date on which a contract to make such grant is entered into, unless the Secretary (1) determines that due to unusual circumstances a longer period of time is necessary and in the public interest, and (2) reports such determination promptly to the Committees on Banking and Currency of the Senate and House of Representatives.

"(d) No land acquired with assistance under this sec-

tion shall, without approval of the Secretary, be diverted from the purpose originally approved. The Secretary shall approve no such diversion unless he finds that the diversion is in accord with the then applicable comprehensive plan for the area. In cases of a diversion of land to other than a public purpose, the Secretary may require repayment of the grant, or substitution of land of approximately equal fair market value, whichever he deems appropriate. An interim use of the land for a public or private purpose in accordance with standards prescribed by the Secretary, or approved by him, shall not constitute a diversion within the meaning of this subsection.

"(e) Notwithstanding any other provision of law, no project for which land is acquired with assistance under this section shall, solely as a result of such advance acquisition, be considered ineligible for the purpose of any other Federal loan or grant program, and the amount of the purchase price paid for the land by the recipient of a grant under this section may be considered an eligible cost for the purpose of such other Federal loan or grant program."

WATER AND SEWER FACILITIES PROGRAM

SEC. 504. (a) Section 702(c) of the Housing and Urban Development Act of 1965 is amended by striking out "July 1, 1968" and inserting in lieu thereof "October 1, 1969".

(b) Section 702 (b) of such Act is amended—

(1) by inserting after "community" the first time it appears the following: ", or an unincorporated area served by a water district or improvement district,";

(2) by inserting after "community" each subsequent time it appears the following: "or area"; and

(3) by striking out "a basic public sewer facility" and inserting in lieu thereof "a basic public water or sewer facility".

(c) Section 702 of such Act is amended by adding at the end thereof a new subsection as follows:

"(d) In the administration of this section the Secretary shall require that, to the greatest extent practicable, new job opportunities be provided for unemployed or underemployed persons in connection with projects the financing of which is assisted under this section."

AUTHORIZATIONS FOR THE WATER AND SEWER FACILITIES, NEIGHBORHOOD FACILITIES, AND ADVANCE ACQUISITION OF LAND PROGRAMS

SEC. 505. (a) Section 708 (b) of the Housing and Urban Development Act of 1965 is amended by striking out "July 1, 1969" and inserting in lieu thereof "July 1, 1970".

(b) Section 708 (a) of such Act is amended by striking out "$200,000,000 for grants under section 702" and inserting in lieu thereof "$200,000,000 (or $500,000,000

in the case of any such fiscal year commencing after June 30, 1967) for grants under section 702".

OPEN-SPACE LAND PROGRAM

SEC. 506. (a) Section 702 (b) of the Housing Act of 1961 is amended to read as follows:

"(b) There are authorized to be appropriated, for the purpose of making grants under this title, not to exceed $310,000,000 prior to July 1, 1969, and not to exceed $460,000,000 prior to July 1, 1970. Any amounts appropriated under this section shall remain available until expended."

(b) Section 708 (b) of such Act is amended by striking out "$50,000" and inserting in lieu thereof "$125,000".

AUTHORIZATION TO MAKE FEASIBILITY STUDIES IN THE PUBLIC WORKS PLANNING ADVANCES PROGRAM

SEC. 507. Section 702 (a) of the Housing Act of 1954 is amended by inserting after "to aid in financing the cost of" the following: "feasibility studies,".

TITLE VI—URBAN MASS TRANSPORTATION

GRANT AUTHORIZATIONS

SEC. 601. (a) Section 4 (b) of the Urban Mass Transportation Act of 1964 is amended (1) by striking out the word "and" where it first appears in the first sentence, and (2) by inserting before the period at the end of the first sentence "; and $190,000,000 for fiscal year 1970".

(b) Section 6(c) of such Act is amended (1) by striking out "$50,000,000" and inserting in lieu thereof "$56,000,000", and (2) by inserting at the end thereof the following: "On or after July 1, 1969, the Secretary may make available to finance projects under this section such additional sums out of the grant authorization provided in section 4(b) as he deems appropriate."

DEFINITION OF MASS TRANSPORTATION

SEC. 602. Section 12(c)(5) of the Urban Mass Transportation Act of 1964 is amended to read as follows:

"(5) the term 'mass transportation' means transportation by bus, rail, or other conveyance, either publicly or privately owned, which provides to the public general or special service (but not including school buses or charter or sightseeing service) on a regular and continuing basis."

EXTENSION OF EMERGENCY PROGRAM UNDER THE URBAN MASS TRANSPORTATION ACT

SEC. 603. Section 5 of the Urban Mass Transportation Act of 1964 is amended by striking out "November 1, 1968" and inserting in lieu thereof "October 1, 1969".

NON-FEDERAL SHARE OF NET PROJECT COST

SEC. 604. (a) Section 4(a) of the Urban Mass Transportation Act of 1964 is amended by striking out the last

sentence and inserting in lieu thereof the following: "The remainder of the net project cost shall be provided, in cash, from sources other than Federal funds. Not more than 50 per centum of such remainder may be provided from other than public sources, and any public or private transit system funds shall be provided solely from undistributed cash surpluses, replacement or depreciation funds or reserves available in cash, or new capital; except that in cases of demonstrated fiscal inability of an applicant actively engaged in preparing and effectuating a program for a unified or officially coordinated urban transportation system as part of the comprehensively planned development of the urban area, such remainder may be provided from other than public sources. No refund or reduction of the remainder of the net project cost shall be made at any time unless there is at the same time a refund of a proportional amount of the Federal grant."

(b) Section 5 of such Act is amended by striking out the last sentence and inserting in lieu thereof the following: "The remainder of the net project cost shall be provided, in cash, from sources other than Federal funds. Not more than 50 per centum of such remainder may be provided from other than public sources, and any public or private transit system funds shall be provided solely from undistributed cash surpluses, replacement or depreciation funds or reserves available in cash, or new capital; except that in cases of demon-

strated fiscal inability of an applicant actively engaged in preparing and effectuating a program for a unified or officially coordinated urban transportation system as part of the comprehensively planned development of the urban area, such remainder may be provided from other than public sources. No refund or reduction of the remainder of the net project cost shall be made at any time unless there is at the same time a refund of a proportional amount of the Federal grant."

TITLE VII—SECONDARY MORTGAGE MARKET

PURPOSES

SEC. 701. The purposes of this title include the partition of the Federal National Mortgage Association as heretofore existing into two separate and distinct corporations, each of which shall have continuity and corporate succession as a separated portion of the previously existing corporation. One of such corporations, to be known as Federal National Mortgage Association, will be a Government-sponsored private corporation, will retain the assets and liabilities of the previously existing corporation accounted for under section 304 of the Federal National Mortgage Association Charter Act, and will continue to operate the secondary market operations authorized by such section 304. The other, to be known as Government National Mortgage Association, will remain in the Government, will retain the assets and liabilities of the

previously existing corporation accounted for under sections 305 and 306 of such Act, and will continue to operate the special assistance functions and management and liquidating functions authorized by such sections 305 and 306.

AMENDMENTS TO THE FEDERAL NATIONAL MORTGAGE ASSOCIATION CHARTER ACT

SEC. 702. (a) The heading of title III of the National Housing Act is amended by striking out "FEDERAL NATIONAL MORTGAGE ASSOCIATION" and inserting in lieu thereof "NATIONAL MORTGAGE ASSOCIATIONS".

(b) Section 301 of such Act is amended—

(1) by striking out "in the Federal Government a";

(2) by striking out "facility for" and inserting in lieu thereof "facilities for";

(3) by striking out "of such facility" and inserting in lieu thereof "thereof";

(4) by striking out "facility to" and inserting in lieu thereof "facilities to"; and

(5) by striking out "the existing mortgage portfolio of the Federal National Mortgage Association" and inserting in lieu thereof "federally owned mortgage portfolios".

(c) Section 302 (a) of such Act is amended—

(1) by inserting "(1)" immediately following "(a)";

(2) by striking out "(hereinafter referred to as the 'Association')"; and

(3) by adding at the end thereof the following new paragraph:

"(2) On the effective date established pursuant to section 708 of the Housing and Urban Development Act of 1968, the body corporate described in the foregoing paragraph shall cease to exist in that form and is hereby partitioned into two separate and distinct bodies corporate, each of which shall have continuity and corporate succession as a separated portion of the previously existing body corporate, as follows:

"(A) One of such separated portions shall be a body corporate without capital stock to be known as Government National Mortgage Association (hereinafter referred to as the 'Association'), which shall be in the Department of Housing and Urban Development and which shall retain the assets and liabilities acquired and incurred under sections 305 and 306 prior to such effective date, including any and all liabilities incurred pursuant to section 302(c). The Association shall have succession until dissolved by Act of Congress. It shall maintain its principal office in the District of

Columbia and shall be deemed, for purposes of venue in civil actions, to be a resident thereof. Agencies or offices may be established by the Association in such other place or places as it may deem necessary or appropriate in the conduct of its business.

"(B) The other such separated portion shall be a body corporate to be known as Federal National Mortgage Association (hereinafter referred to as the 'corporation'), which shall retain the assets and liabilities acquired and incurred under sections 303 and 304 prior to such effective date. The corporation shall have succession until dissolved by Act of Congress. It shall maintain its principal office in the District of Columbia and shall be deemed, for purposes of venue in civil actions, to be a resident thereof.".

(d) Section 302(b) of such Act is amended—

(1) by striking out "the Association is authorized" and inserting in lieu thereof "each of the bodies corporate named in subsection (a)(2) is authorized";

(2) by striking out "lend (under section 304) on the security of,";

(3) by inserting immediately before the colon in the first sentence "; and the corporation is authorized to lend on the security of any such mortgages and to purchase, sell, or otherwise deal in any securities guaranteed by the Association under section 306(g)"; and

(4) by striking out "no mortgage may be purchased" and inserting in lieu thereof "the Association may not purchase any mortgage".

(e) Section 302 (c) (1) of such Act is amended by striking out ", consistent with section 307,".

(f) Section 302 (c) (2) (C) of such Act is amended to read as follows:

"(C) The Department of Housing and Urban Development.".

(g) Section 302 (c) (2) of such Act is amended by striking out "incurred by the Federal National Mortgage" and inserting in lieu thereof "incurred by the".

(h) The heading of section 303 of such Act is amended to read as follows: "CAPITALIZATION—FEDERAL NATIONAL MORTGAGE ASSOCIATION".

(i) Section 303 (a) of such Act is amended—

(1) by striking out "nonvoting common stock" and inserting in lieu thereof "common stock, without par value, which shall be vested with all voting rights, each share being entitled to one vote with rights of cumulative voting at all elections of directors";

(2) by striking out "nonvoting preferred stock" and inserting in lieu thereof "nonvoting preferred stock, with a par value of $100 per share,";

(3) by striking out the second and third sentences

thereof and inserting in lieu thereof "The free transferability of the common stock at all times to any person, firm, corporation, or other entity shall not be restricted except that, as to the corporation, it shall be transferable only on the books of the corporation.";

(4) by striking out "of the capital surplus and the general surplus accounts";

(5) by striking out "retire" and inserting in lieu thereof "retire, at par,"; and

(6) by striking out "the Association shall deem feasible" and inserting in lieu thereof "possible subsequent to the effective date established pursuant to section 708 of the Housing and Urban Development Act of 1968".

(j) Section 303 (b) of such Act is amended—

(1) by striking out "for its services" and inserting in lieu thereof ", which may be regarded as elements of pricing,"; and

(2) by striking out the last sentence.

(k) Section 303 (c) of such Act is amended—

(1) by striking out "(only in denominations of $100 or multiples thereof)";

(2) by inserting immediately after the first sentence the following: "In addition to the shares of common stock issued under the foregoing sentence, the corpo-

ration may issue additional shares in return for appropriate payments into capital or capital and surplus. The corporation shall at all times require each servicer of its mortgages to own a minimum amount of common stock of the corporation, measured by its stated value. Such minimum amount shall not exceed 2 per centum, as determined from time to time by the corporation with the approval of the Secretary of Housing and Urban Development, of the aggregate outstanding principal balances of all mortgages of the corporation which have been purchased subsequent to the effective date established pursuant to section 708 of the Housing and Urban Development Act of 1968 and which are then serviced by such servicer for the corporation."; and

(3) by striking out "the general surplus account of the Association shall not be reduced through the payment of dividends applicable to such common stock which exceed in the aggregate 5 per centum of the par value of the outstanding common stock of the Association" and inserting in lieu thereof "the aggregate amount of cash dividends paid on account of any share of such stock shall not exceed any rate which may be determined from time to time by the Secretary of Housing and Urban Development to be a fair rate of return after

consideration of the current earnings and capital condition of the corporation".

(l) Section 303 (d) of such Act is amended by striking out "$225,000,000" and inserting in lieu thereof "$225,000,000; but no such stock may be issued subsequent to the effective date established pursuant to section 708 of the Housing and Urban Development Act of 1968".

(m) Section 303 (f) of such Act is amended by striking out "contributions, and" and inserting in lieu thereof "contributions, to purchase additional shares of such stock, and".

(n) Section 303 (g) of such Act is repealed.

(o) The heading of section 304 of such Act is amended to read as follows: "SECONDARY MARKET OPERATIONS—FEDERAL NATIONAL MORTGAGE ASSOCIATION".

(p) Section 304 (a) (1) of such Act is amended by striking out "and the Association shall not purchase any mortgage insured or guaranteed prior to the effective date of the Housing Act of 1954".

(q) Section 304 (b) of such Act is amended by striking out "earnings, and in" and inserting in lieu thereof "earnings unless a greater ratio shall be fixed at any time or from time to time by its board of directors. In".

(r) Section 304 (c) of such Act is amended by striking

out "(1) all of the preferred stock of the Association held by the Secretary of the Treasury has been retired, or (2)".

(s) Sections 303 and 304 of such Act, as amended by the foregoing subsections of this section, are further amended—

(1) by striking out "Association" each place it appears and inserting in lieu thereof, in each such place, "corporation"; and

(2) by striking out "Association's" each place it appears and inserting in lieu thereof, in each such place, "corporation's".

(t) The heading of section 305 of such Act is amended to read as follows: "SPECIAL ASSISTANCE FUNCTIONS—GOVERNMENT NATIONAL MORTGAGE ASSOCIATION".

(u) The heading of section 306 of such Act is amended to read as follows: "MANAGEMENT AND LIQUIDATING FUNCTIONS—GOVERNMENT NATIONAL MORTGAGE ASSOCIATION".

(v) Subsections (a) and (b) of section 307 of such Act are repealed.

(w) Section 307 of such Act is further amended—

(1) by striking out "SEC. 307.";

(2) by striking out "(c) All of the benefits and

burdens incident to the administration of" and inserting in lieu thereof the following:

"SEC. 307. All of the benefits and burdens incident to the administration of"; and

(3) by striking out "board of directors of the Association" and inserting in lieu thereof "Secretary of Housing and Urban Development".

(x) The heading of section 308 of such Act is amended to read as follows: "MANAGEMENT".

(y) Section 308 of such Act is amended—

(1) by inserting "(a)" immediately following "308";

(2) by striking out the first two sentences and inserting in lieu thereof "All the powers and duties of the Government National Mortgage Association shall be vested in the Secretary of Housing and Urban Development and the Association shall be administered under the direction of the Secretary.";

(3) by striking out "the board shall determine" and inserting in lieu thereof "the Secretary shall determine";

(4) by striking out "Association. The chairman of the board" and inserting in lieu thereof "Association, and shall have power to adopt, amend, and repeal bylaws governing the performance of the powers and duties granted to or imposed upon it by law. The Secretary";

(5) by striking out "by the board of directors," and inserting in lieu thereof "by the Secretary,";

(6) by striking out the last sentence; and

(7) by adding at the end thereof the following new subsection:

"(b) The Federal National Mortgage Association shall have a board of directors which shall consist of fifteen persons, one-third of whom shall be appointed annually by the President of the United States, and the remainder of whom shall be elected annually by the common stockholders. The board shall at all times have as members appointed by the President at least one person from the homebuilding industry, at least one person from the mortgage lending industry, and at least one person from the real estate industry. Each member of the board of directors shall be appointed or elected for a term ending on the date of the next annual meeting of the stockholders, except that any such member may be removed from office by the President for good cause. Any elective seat on the board which becomes vacant after the annual election of the directors shall be filled by the board, but only for the unexpired portion of the term. Any appointive seat which becomes vacant shall be filled by appointment of the President, but only for the unexpired portion of the term. Within the limitations of law and regulation, the board

shall determine the general policies which shall govern the operations of the corporation, and shall have power to adopt, amend, and repeal bylaws governing the performance of the powers and duties granted to or imposed upon it by law. The board of directors shall select and effect the appointment of qualified persons to fill the offices of president and vice president, and such other offices as may be provided for in the bylaws. Any member of the board who is a full-time officer or employee of the Federal Government shall not, as such member, receive compensation for his services."

(z) Section 309 (a) of such Act is amended—

(1) by striking out "The Association" and inserting in lieu thereof "Each of the bodies corporate named in section 302 (a) (2)";

(2) by striking out "by its board of directors, to adopt, amend, and repeal bylaws governing the performance of the powers and duties granted to or imposed upon it by law;";

(3) by striking out "conduct its business" and inserting in lieu thereof "conduct its business without regard to any qualification or similar statute";

(4) by striking out "the Association may deem" and inserting in lieu thereof "it may deem"; and

(5) by striking out "the purposes of the Association" and inserting in lieu thereof "its purposes".

(aa) Section 309 (c) of such Act is amended—

(1) by striking out "(1)";

(2) by striking out "The Association" and inserting in lieu thereof "(1) The Association";

(3) by striking out ", and (2) the Association shall, with respect to its secondary market operations under section 304 after the cutoff date referred to in section 303 (d) of this title, pay annually to the Secretary of the Treasury, for covering into miscellaneous receipts, an amount equivalent to the amount of Federal income taxes for which it would be subject if it were not exempt from such taxes with respect to such secondary market operations"; and

(4) by adding at the end thereof the following new paragraph:

"(2) The corporation, including its franchise, capital, reserves, surplus, mortgages or other security holdings, and income, shall be exempt from all taxation now or hereafter imposed by any State, territory, possession, Commonwealth, or dependency of the United States, or by the District of Columbia, or by any county, municipality, or local taxing authority, except that any real property of the corporation shall be subject to State, territorial, county, municipal, or local taxation to the same extent as other real property is taxed."

(bb) Section 309(d) of such Act is amended—

(1) by inserting "(1)" immediately following "(d)";

(2) by striking out "Chairman of the Board" and inserting in lieu thereof "Secretary of Housing and Urban Development";

(3) by striking out "agents," and inserting in lieu thereof "agents of the Association,"; and

(4) by adding at the end thereof the following new paragraph:

"(2) The board of directors of the corporation shall have the power to select and appoint or employ such officers, attorneys, employees, and agents, to vest them with such powers and duties, and to fix and to cause the corporation to pay such compensation to them for their services, as it may determine; and any such action shall be without regard to the Federal civil service and classification laws. Appointments, promotions, and separations so made shall be based on merit and efficiency, and no political test or qualification shall be permitted or given consideration. Each officer and employee of the corporation who is employed by the corporation prior to the termination of the transitional period referred to in section 710(b) of the Housing and Urban Development Act of 1968 and who on the day previous to the beginning of such employment

will have been subject to the civil service retirement law (subch. III of ch. 83 of title 5, United States Code) shall, so long as his employment by the corporation continues without a break in continuity of service, continue to be subject to such law; and for the purpose of such law his employment by the corporation without a break in continuity of service shall be deemed to be employment by the Government of the United States. The corporation shall contribute to the Civil Service Retirement and Disability Fund a sum as provided by section 8334 (a) of title 5, United States Code, except that such sum shall be determined by applying to the total basic pay (as defined in 5 U.S.C. 8331 (3) and except as hereinafter provided) paid to the employees of the corporation who are covered by the civil service retirement law, the per centum rate determined annually by the United States Civil Service Commission to be the excess of the total normal cost per centum rate of the civil service retirement system over the employee deduction rate specified in section 8334 (a) of title 5, United States Code. The corporation shall also pay into the Civil Service Retirement and Disability Fund such portion of the cost of administration of the fund as is determined by the United States Civil Service Commission to be attributable to its employees. Notwithstanding the foregoing provisions, there

shall not be considered for the purposes of the civil service retirement law that portion of the basic pay in any one year of any officer or employee of the corporation which exceeds the basic pay provided for in section 5312 of title 5, United States Code, on the last day of such year. Except as provided in this subsection, the corporation shall not be subject to the provisions of title 5, United States Code."

(cc) Section 309 (e) of such Act is amended—

(1) by striking out "body corporate created by section 302" and inserting in lieu thereof "bodies corporate named in section 302 (a) (2)";

(2) by inserting ", 'Government National Mortgage Association'," immediately following "'Federal National Mortgage Association'"; and

(3) by striking out the second sentence and inserting in lieu thereof the following: "Violations of the foregoing sentence may be enjoined by any court of general jurisdiction at the suit of the proper body corporate. In any such suit, the plaintiff may recover any actual damages flowing from such violation, and, in addition, shall be entitled to punitive damages (regardless of the existence or nonexistence of actual damages) of not exceeding $100 for each day during which such violation is committed or repeated."

(dd) Section 309 (g) of such Act is amended to read as follows:

"(g) The Federal Reserve banks are authorized and directed to act as depositaries, custodians, and fiscal agents for each of the bodies corporate named in section 302 (a) (2), for its own account or as fiduciary, and such banks shall be reimbursed for such services in such manner as may be agreed upon; and each of such bodies corporate may itself act in such capacities, for its own account or as fiduciary, and for the account of others."

(ee) Section 309 of such Act is amended by adding at the end thereof the following new subsection:

"(h) The Secretary of Housing and Urban Development shall have general regulatory power over the Federal National Mortgage Association and shall make such rules and regulations as shall be necessary and proper to insure that the purposes of this title are accomplished. No stock, obligation, security, or other instrument shall be issued by the corporation without the prior approval of the Secretary. The Secretary may require that a reasonable portion of the corporation's mortgage purchases be related to the national goal of providing adequate housing for low and moderate income families, but with rea-

sonable economic return to the corporation. The Secretary may examine and audit the books and financial transactions of the corporation, and he may require the corporation to make such reports on its activities as he deems advisable."

(ff) Section 311 of such Act is amended—

(1) by striking out "the Association" and inserting in lieu thereof "either of the bodies corporate named in section 302 (a) (2)"; and

(2) by adding at the end thereof the following: "All stock, obligations, securities, participations, or other instruments issued pursuant to this title shall, to the same extent as securities which are direct obligations of or obligations guaranteed as to principal or interest by the United States, be deemed to be exempt securities within the meaning of laws administered by the Securities and Exchange Commission; but all such issuances shall be made only with the approval of the Secretary of Housing and Urban Development."

PARTICIPATIONS

SEC. 703. Section 302 (c) (5) of the National Housing Act is amended by inserting at the end thereof the following: "In the event that the insufficiency required by the trustee is on account of principal maturities of outstanding beneficial interests or participations authorized to be issued pursuant to paragraph (4) of this subsection, or pursuant

hereto, the trustee is authorized to elect to issue additional beneficial interests or participations for refinancing purposes in lieu of requiring any trustor or trustors to make payments to the trustee from appropriated funds or other sources. Each such issue of beneficial interests or participations shall be in an amount determined by the trustee but not in excess of the aggregate amount which the trustee would otherwise require the trustor or trustors to pay from appropriated funds or other sources, and may be issued without regard to the provisions of paragraph (4) of this subsection. All refinancing issues of beneficial interests or participations shall be deemed to have been issued pursuant to the authority contained in the appropriation Act or Acts under which the beneficial interests or participations were originally issued."

MORTGAGE-BACKED SECURITIES

SEC. 704. (a) Section 304 of the National Housing Act is amended by adding at the end thereof the following new subsection:

"(d) To provide a greater degree of liquidity to the mortgage investment market and an additional means of financing its operations under this section, the corporation is authorized to set aside any mortgages held by it under this section, and, upon approval of the Secretary of the Treasury, to issue and sell securities based upon the mortgages so set

aside. Securities issued under this subsection may be in the form of debt obligations or trust certificates of beneficial interest, or both. Securities issued under this subsection shall have such maturities and bear such rate or rates of interest as may be determined by the corporation with the approval of the Secretary of the Treasury. Securities issued by the corporation under this subsection shall, to the same extent as securities which are direct obligations of or obligations guaranteed as to principal and interest by the United States, be deemed to be exempt securities within the meaning of laws administered by the Securities and Exchange Commission. Mortgages set aside pursuant to this subsection shall at all times be adequate to enable the corporation to make timely principal and interest payments on the securities issued and sold pursuant to this subsection."

(b) Section 306 of such Act is amended by adding at the end thereof the following new subsection:

"(g) The Association is authorized, upon such terms and conditions as it may deem appropriate, to guarantee the timely payment of principal of and interest on such trust certificates or other securities as shall (1) be issued by the corporation under section 304 (d), or by any other issuer approved for the purposes of this subsection by the Association, and (2) be based on and backed by a trust or pool composed of mortgages which are insured under the National Housing Act or title V

of the Housing Act of 1949, or which are insured or guaranteed under the Servicemen's Readjustment Act of 1944 or chapter 37 of title 38, United States Code. The Association shall collect from the issuer a reasonable fee for any guaranty under this subsection and shall make such charges as it may determine to be reasonable for the analysis of any trust or other security arrangement proposed by the issuer. In the event the issuer is unable to make any payment of principal of or interest on any security guaranteed under this subsection, the Association shall make such payment as and when due in cash, and thereupon shall be subrogated fully to the rights satisfied by such payment. Any Federal, State, or other law to the contrary notwithstanding, the Association is hereby empowered, in connection with any guaranty under this subsection, whether before or after any default, to provide by contract with the issuer for the extinguishment, upon default by the issuer, of any redemption, equitable, legal, or other right, title, or interest of the issuer in any mortgage or mortgages constituting the trust or pool against which the guaranteed securities are issued; and with respect to any issue of guaranteed securities, in the event of default and pursuant otherwise to the terms of the contract, the mortgages that constitute such trust or pool shall become the absolute property of the Association subject only to the unsatisfied rights of the holders of the securities based on and

backed by such trust or pool. The full faith and credit of the United States is pledged to the payment of all amounts which may be required to be paid under any guaranty under this subsection. There shall be excluded from the total amounts set forth in subsection (c) the amounts of any mortgages acquired by the Association as a result of its operations under this subsection."

SUBORDINATED AND CONVERTIBLE OBLIGATIONS

SEC. 705. Section 304 of the National Housing Act is amended by adding thereto (after subsection (d) as added by section 704 of this Act) the following new subsection:

"(e) For the purposes of this section, the corporation is authorized to issue, upon the approval of the Secretary of the Treasury, obligations which are subordinated to any or all other obligations of the corporation, including subsequent obligations. The obligations issued under this subsection shall have such maturities and bear such rate or rates of interest as may be determined by the corporation with the approval of the Secretary of the Treasury and may be made redeemable at the option of the corporation before maturity in such manner as may be stipulated in such obligations. Any of such obligations may be made convertible into shares of common stock in such manner, at such price or prices, and at such time or times as may be stipulated therein. The total principal amount of such subordinated

obligations which may be outstanding at any one time shall not exceed two times the sum of (1) the capital of the corporation represented by its outstanding common stock and (2) its surplus and undistributed earnings at such time. The outstanding total principal amount of such obligations which are entirely subordinated to the obligations of the corporation issued or to be issued under subsection (b) shall be deemed to be capital of the corporation for the purpose of determining the aggregate amount of obligations issued under subsection (b) which may be outstanding at any one time. Obligations issued by the corporation under this subsection shall, to the same extent as securities which are direct obligations of or obligations guaranteed as to principal or interest by the United States, be deemed to be exempt securities within the meaning of laws administered by the Securities and Exchange Commission. The corporation shall insert appropriate language in all of its obligations issued under this subsection clearly indicating that such obligations, together with the interest thereon, are not guaranteed by the United States and do not constitute a debt or obligation of the United States or of any agency or instrumentality thereof other than the corporation. The corporation is authorized to purchase in the open market any of its obligations outstanding under this subsection at any time and at any price."

SPECIAL ASSISTANCE AUTHORIZATION

SEC. 706. Section 305 (c) of the National Housing Act is amended—

(1) by striking out "and" after "July 1, 1967,"; and

(2) by striking out the period and inserting in lieu thereof ", and by $500,000,000 on July 1, 1969."

AMENDMENTS TO OTHER LAWS

SEC. 707. (a) Section 306 (b) of the Housing Act of 1959 is amended by striking out "Federal National Mortgage Association pursuant" and inserting in lieu thereof "Government National Mortgage Association pursuant".

(b) Section 312 (d) of the Housing Act of 1964 is amended by striking out "Federal" and inserting in lieu thereof "Government".

(c) Section 5 (b) of the Department of Housing and Urban Development Act is amended—

(1) by striking out "The Federal" and inserting in lieu thereof "The Government"; and

(2) by striking out ", and the position of the President of said Association is hereby allocated among the positions referred to in section 7 (c) hereof".

(d) Section 7 (b) of the Department of Housing and Urban Development Act is repealed.

(e) Section 101 of the Government Corporation Control

Act is amended by striking out "Federal National Mortgage Association" and inserting in lieu thereof "Government National Mortgage Association".

(f) Section 13(4)(F) of the Public Buildings Act of 1959 is amended by striking out "Federal" and inserting in lieu thereof "Government".

(g) Section 6(b) of the Participation Sales Act of 1966 is amended by striking out "secondary market operations carried on by the Federal" and inserting in lieu thereof "the Government".

(h) Section 1820(e) of title 38, United States Code, is amended by striking out "Federal National" in three places and inserting in lieu thereof, in each such place, "Government National".

(i) Section 709 of title 18, United States Code, is amended by striking out "Federal National Mortgage Association" each place it appears and inserting in lieu thereof, in each such place, "Government National Mortgage Association".

(j) Section 5136 of the Revised Statutes is amended by inserting "or the Government National Mortgage Association" immediately following "Federal National Mortgage Association".

(k) Section 11(h) of the Federal Home Loan Bank

Act is amended by inserting "or the Government National Mortgage Association, in the stock of the Federal National Mortgage Association" immediately following "Federal National Mortgage Association".

(l) Section 16 of the Federal Home Loan Bank Act is amended by inserting "or the Government National Mortgage Association" immediately following "Federal National Mortgage Association".

(m) Section 5 (c) of the Home Owners' Loan Act of 1933 is amended by inserting "or the Government National Mortgage Association," immediately following "Federal National Mortgage Association" and by inserting "or the stock of the Federal National Mortgage Association" immediately after "any other agency of the United States".

(n) Section 8 (8) (E) of the Federal Credit Union Act is amended by inserting "or the Government National Mortgage Association" immediately following "Federal National Mortgage Association".

EFFECTIVE DATE

SEC. 708. The amendments made by this title shall be effective from and after a date, no more than one hundred and twenty days following the date of enactment of this Act, as established by the Secretary of Housing and Urban Development. Notice of the establishment of such effective

date shall be published in the Federal Register at least thirty days prior thereto.

SAVINGS PROVISIONS

SEC. 709. (a) No cause of action by or against the Federal National Mortgage Association existing prior to the effective date established pursuant to section 708 shall abate by reason of the enactment of this title. Any such cause of action may thereafter be asserted by or against the appropriate corporate body named in section 302 (a) (2) of the National Housing Act.

(b) No suit, action, or other proceeding commenced by or against the Federal National Mortgage Association, or any officer thereof in his official capacity, prior to the effective date established pursuant to section 708 shall abate by reason of the enactment of this title. A court may at any time thereafter during the pendency of any such litigation, on its own motion or that of any party, order that the litigation may be maintained by or against the appropriate corporate body named in section 302 (a) (2) of the National Housing Act or the appropriate corresponding officer thereof.

TRANSITIONAL PROVISIONS

SEC. 710. (a) On the effective date established pursuant to section 708 of this Act, each share of outstanding non-

voting common stock, with a par value of $100 per share, of the Federal National Mortgage Association shall be changed into and shall become one share of voting common stock, without par value, of such corporation.

(b) (1) The provisions of section 308(b) of the National Housing Act (is added by section 702(y)(7) of this Act) shall be applicable only to the extent that its provisions do not conflict with this subsection.

(2) For a transitional period after the effective date established pursuant to section 708 of this Act, the board of directors of the Federal National Mortgage Association shall consist of nine persons. For a term expiring on the date of the first annual meeting of the corporation's stockholders, all members of the board shall be appointed by the Secretary of Housing and Urban Development. For a term beginning on such date, seven members of the board shall be appointed by the Secretary, and two members shall be elected by the common stockholders. For subsequent terms beginning prior to the termination of the transitional period, five members shall be appointed by the Secretary, and four members shall be elected by the common stockholders. For each term beginning prior to the termination of the transitional period, the Secretary shall appoint as a member of the board the

president of the corporation. During the transitional period, the president of the corporation shall be appointed by the President, by and with the advice and consent of the Senate, and may be removed from office by the President for good cause.

(3) The transitional period referred to in paragraph (2) shall come to an end at such time as the board of directors shall find, with the approval of the Secretary, that not less than one-third of the corporation's common stock is owned by persons or institutions in the mortgage lending, homebuilding, real estate, or related businesses; but in no event shall it end sooner than May 1, 1970, or later than May 1, 1973.

(c) From the effective date established pursuant to section 708 and until the retirement of the last of the outstanding shares of its preferred stock, the Federal National Mortgage Association shall be deemed to be a wholly owned corporation for the purposes of the Government Corporation Control Act. Notwithstanding the foregoing provisions of this paragraph, the financial transactions of the Federal National Mortgage Association shall continue to be subject to audit by the General Accounting Office for such period as there may

be outstanding obligations of the Federal National Mortgage Association which are guaranteed as to principal or interest by the Government National Mortgage Association.

(d) Those persons who are the officers and employees of the Federal National Mortgage Association immediately prior to the effective date established pursuant to section 708 shall become the officers and employees of the Government National Mortgage Association on such date. The Federal National Mortgage Association and the Government National Mortgage Association shall provide by contract for the conditions and methods under which and by which the Federal National Mortgage Association during the transitional period may employ those individuals who are employees of the Government National Mortgage Association on such effective date; and may provide by contract for the operation by either of such corporations of any of the functions of the other. The Secretary of Housing and Urban Development shall make every reasonable effort to place in other comparable Federal positions any individuals who are career or career-conditional employees of the Government National Mortgage Association on such effective date and who are subsequently during the transitional period neither employed by the Federal National Mortgage Association nor retained by the Government National Mortgage Association.

TITLE VIII—NATIONAL HOUSING PARTNERSHIPS

STATEMENT OF PURPOSE

SEC. 801. The Congress finds that the volume of housing being produced for families and individuals of low or moderate income must be increased to meet the national goal of a decent home and a suitable living environment for every American family, and declares that it is the policy of the United States to encourage the widest possible participation by private enterprise in the provision of housing for low or moderate income families. The Congress has therefore determined that one or more private organizations should be created to encourage maximum participation by private investors in programs and projects to provide low and moderate income housing.

CREATION OF CORPORATIONS

SEC. 802. (a) There is hereby authorized to be created a private corporation for profit (hereinafter in this title referred to as the "corporation"). The corporation will not be an agency or establishment of the United States Government. The corporation shall be subject to the provisions of this title and, to the extent consistent with this title, to the District of Columbia Business Corporation Act (D.C. Code, sec. 29–901 et seq.).

(b) Whenever the President finds it in the national interest to do so, he may cause the creation of an additional corporation or additional corporations to carry out the purposes of this title. All the provisions of this title shall thereupon become applicable to each such corporation, and to the limited partnership formed by it pursuant to section 807.

(c) Nothing in this title shall be construed to preclude private persons from creating other corporations and organizing other partnerships, joint ventures, or associations for the purposes set forth in this title as the purposes of the corporation and the partnership described in section 807.

PROCESS OF ORGANIZATION

SEC. 803. (a) The President of the United States shall appoint, by and with the advice and consent of the Senate, incorporators of the corporation, one of whom shall be designated by the President to serve as chairman. The incorporators shall serve as the initial board of directors until the first annual meeting of stockholders or until their successors are elected and have qualified.

(b) The incorporators shall take whatever actions are necessary or appropriate to establish the corporation, including the filing of articles of incorporation as approved by the President.

(c) The incorporators shall also arrange for an initial offering of shares of stock in the corporation and of interests

in the partnership described in section 807 of this title. If the incorporators deem it advisable in order to carry out the purposes of this title, the initial offering may be made upon terms which require the purchase of other securities of the corporation or of interests in such partnership.

DIRECTORS

SEC. 804. The corporation shall have a board of directors (hereinafter in this section referred to as the "board"), consisting of fifteen members. Three members of the board shall be appointed by the President of the United States, by and with the advice and consent of the Senate, effective on the date on which the other members are elected, and for terms of three years or until their successors have been appointed and have qualified, except that the first three members of the board so appointed shall continue in office for terms of one, two, and three years, respectively, and any member so appointed to fill a vacancy shall be appointed only for the unexpired term of the director whom he succeeds. Twelve members of the board shall be elected by the stockholders.

FINANCING THE CORPORATION

SEC. 805. The corporation shall have the power to create and issue the number of shares stated in its articles of incorporation. Such shares may be divided into one or

more classes, any or all of which classes may consist of shares with par value or shares without par value, with such designations, preferences, voting powers, and special or relative rights and such limitations, restrictions, or qualifications thereof as shall be stated in the articles of incorporation. The articles of incorporation may limit or deny the voting power of the shares of any class.

PURPOSES AND POWERS OF THE CORPORATION

SEC. 806. (a) In order to achieve the objectives and carry out the purposes of this title, the corporation is authorized to—

(1) plan, initiate, and carry out, pursuant to Federal programs or otherwise, the building or rehabilitation of housing and related facilities primarily for the benefit of families and individuals of low or moderate income;

(2) buy, own, manage, lease, or otherwise acquire or dispose of property in connection with the developments, projects, or undertakings referred to in paragraph (1); and

(3) provide such funds as may be necessary to accomplish the developments, projects, or undertakings referred to in paragraph (1).

(b) Included in the activities authorized to the corporation for the accomplishment of the purposes indicated in

subsection (a) of this section are, among others not specifically named—

(1) to enter into partnerships, limited partnerships, joint ventures, and other associations with individuals, corporations, and private and governmental agencies, organizations, and institutions;

(2) to act as manager or general partner of any such partnership, venture, or association;

(3) to conduct or contract for research and studies related to the development, demonstration, and evaluation of improved techniques and methods of constructing, rehabilitating, and maintaining housing;

(4) to provide technical assistance to nonprofit corporations, limited dividend corporations, and others with respect to the planning, financing, construction, rehabilitation, maintenance, and management of housing for low and moderate income families and individuals;

(5) to make loans or grants, including grants of interests in housing and related facilities, to nonprofit corporations, limited dividend corporations, and others, in carrying out its activities under subsection (a) of this section; and

(6) to hire or accept the voluntary services of consultants, experts, advisory boards, and panels to aid the corporation in carrying out the purposes of this title.

(c) To carry out the foregoing purposes and engage in the foregoing activities, the corporation shall have the usual powers conferred upon a stock corporation by the District of Columbia Business Corporation Act.

(d) Nothing in this title shall have the effect of waiving or otherwise affecting the applicability of the provisions of the Davis-Bacon Act (40 U.S.C. 267a—276a–5), or any other law requiring compliance with labor standards, in the case of any construction to which such provisions would otherwise apply.

NATIONAL HOUSING PARTNERSHIP

SEC. 807. (a) The corporation is authorized to arrange for the formation, as a separate organization, of a limited partnership (hereinafter in this title referred to as the "partnership") under the District of Columbia Uniform Limited Partnership Act (D.C. Code, sec. 41–401 et seq.) for the purpose of engaging in any of the activities authorized for the corporation under section 906 of this title, and to enter into a partnership agreement governing the affairs of such limited partnership.

(b) The partnership shall be subject to the provisions, to the extent consistent with this title, of (1) the District of Columbia Uniform Limited Partnership Act and (2) those provisions of the District of Columbia Uniform Partnership Act (D.C. Code, sec. 41–301 et seq.) made applicable by

section 6 (2) of that Act (D.C. Code, sec. 41–305 (2)). Notwithstanding any inconsistency between the provisions of such Acts, or of any other law, and the provisions of this section, the partnership organized pursuant to this section shall be deemed to have the legal status of a limited partnership.

(c) The partnership is authorized to enter into partnerships, limited partnerships, or joint ventures organized under applicable State or local law for the purpose of engaging in low and moderate income housing developments, projects, or undertakings in particular localities.

(d) The corporation shall be the general partner in the partnership. The capital of the partnership and the contributions of the partners shall be in such amounts and at such times as are set forth in or pursuant to the partnership agreement.

(e) The partnership agreement shall include provisions designed to assure that (1) the partnership shall participate in low and moderate income housing developments, projects, or undertakings in a manner designed to encourage the participation therein of local interests, and (2) in any such development, project, or undertaking the partnership shall not subscribe to more than 25 per centum (including equity investments made in services or property) of the aggregate initial equity investment unless, in the judgment

of the corporation as general partner, the balance of the required equity investment is not readily obtainable from other responsible investors residing or doing business in the local community.

(f) The partnership agreement may without limitation (1) permit each of the stockholders of the corporation to become a member of the partnership as a limited partner, (2) authorize the inclusion of other limited partners in addition to the stockholders of the corporation, (3) provide that the assignee of the partnership interest of a limited partner of the partnership who is also a stockholder of the corporation may not become a substituted limited partner unless he also acquires the assignor's stock of the corporation, and (4) include provisions requiring that the corporation as a general partner approve the substitution or addition of a member of the partnership.

(g) A corporation which is a limited partner in the partnership shall not become liable as a general partner by reason of the fact that (1) such corporation is a holder of shares of voting stock of the corporation constituting not more than 5 per centum of the total number of outstanding shares of such stock and exercises any of the rights (including voting rights) of a holder of such shares, and/or (2) a person who is an officer or director of such corporation (or of another corporation which controls or is subject to the con-

trol of, or is under common control with, such corporation) is a director of the corporation and performs the duties of that office. The interest of a limited partner in the partnership shall not be treated as a stock interest in the corporation, notwithstanding that such interest of a limited partner may be proportionate to his stock interest in the corporation.

(h) The certificate of the partnership and any amendment thereof required by the District of Columbia Uniform Limited Partnership Act shall be executed and acknowledged by the corporation as member and by each other member of the partnership or his attorney-in-fact duly authorized by power of attorney in writing. The corporation may execute and acknowledge the certificate and any amendment thereof as attorney-in-fact for any member, member to be substituted or added, or assigning member, by whom the certificate or amendment is required to be executed and acknowledged and who has appointed the corporation as such attorney.

REPORT TO CONGRESS AND RECORDS

SEC. 808. (a) The corporation shall submit an annual report to the President for transmittal to the Congress within six months after the end of its fiscal year. The report shall include a comprehensive and detailed report of the operations, activities, and financial condition of the corporation and the partnership under this title.

(b) The accounts of the corporation and of the part-

nership shall be audited annually in accordance with generally accepted auditing standards by independent certified public accountants or independent licensed public accountants certified or licensed by a regulatory authority of a State or other political subdivision of the United States.

ANTITRUST LAWS

SEC. 809. Nothing contained herein shall affect the applicability of the Federal antitrust laws to the activities of the corporation and the partnership created under this title and of the persons participating therein or in partnerships, limited partnerships, or joint ventures with either of them.

RIGHT TO REPEAL, ALTER, OR AMEND

SEC. 810. The right to repeal, alter, or amend this title at any time is expressly reserved.

AMENDMENT TO BANKING LAWS

SEC. 811. Paragraph "Seventh" of section 5136 of the Revised Statutes (12 U.S.C. 24) is amended by adding at the end thereof the following: "Notwithstanding any other provision in this paragraph, the association may purchase for its own account shares of stock issued by a corporation authorized to be created pursuant to title VIII of the Housing and Urban Development Act of 1968, and may make investments in a partnership, limited partnership, or joint venture formed pursuant to section 807(a) or 807(c) of that Act."

TITLE IX—RURAL HOUSING

HOUSING FOR LOW AND MODERATE INCOME PERSONS AND FAMILIES

SEC. 901. Title V of the Housing Act of 1949 is amended by adding at the end thereof the following new section:

"LOANS TO PROVIDE OCCUPANT-OWNED, RENTAL, AND CO-OPERATIVE HOUSING FOR LOW AND MODERATE INCOME PERSONS AND FAMILIES

"SEC. 521. (a) Notwithstanding the provisions of sections 502, 517(a), and 515, loans to persons of low or moderate income under section 502 or 517(a)(1), and loans under section 515 to provide rental or cooperative housing and related facilities for persons and families of low or moderate income or elderly persons and elderly families, shall bear interest at a rate prescribed by the Secretary at not less than a rate determined by the Secretary of the Treasury taking into consideration the current average market yield on outstanding marketable obligations of the United States with remaining periods to maturity comparable to the average maturities of such loans, adjusted to the nearest one-eighth of 1 per centum, less not to exceed the difference between the adjusted rate determined by the Secretary of the Treasury and 1 per centum per annum:

Provided, That such a loan may be made only when the Secretary determines that the needs of the applicant for necessary housing cannot be met with financial assistance from other sources including assistance under section 235 or 236 of the National Housing Act: *Provided further*, That interest on loans under section 502 or 517 (a) to victims of natural disasters shall not exceed the rate which would be applicable to such loans under section 502 without regard to this section.

"(b) Housing and related facilities provided with loans described in subsection (a) shall be located in rural areas; and applicants eligible for such loans under section 502 or 517 (a) (1), or for occupancy of housing provided with such loans under section 515, shall include otherwise qualified nonrural residents who will become rural residents.

"(c) There shall be reimbursed to the Rural Housing Insurance Fund by annual appropriations the amounts by which nonprincipal payments made from the fund during each fiscal year to the holders of insured loans described in subsection (a) exceed interest due from the borrowers during each year; and the Secretary from time to time may issue notes to the Secretary of the Treasury under section 517 (h) to obtain amounts equal to such unreimbursed excess payments, pending the annual reimbursement by appropriation."

HOUSING FOR RURAL TRAINEES

SEC. 902. Title V of the Housing Act of 1949 is amended by adding after section 521 (as added by section 901 of this Act) the following new section:

"HOUSING FOR RURAL TRAINEES

"SEC. 522. (a) Upon the application of any State or political subdivision thereof, or any public or private nonprofit organization, the Secretary is authorized, after consultation with the Secretary of Labor, the Secretary of Health, Education, and Welfare, the Secretary of Housing and Urban Development, and the Director of the Office of Economic Opportunity, and after the Secretary determines that the housing and related facilities cannot reasonably be provided in any other way, to provide financial and technical assistance for the establishment, in rural areas, of housing and related facilities for trainees and their families who are residents of a rural area and have a rural background, while such trainees are enrolled and participating in training courses designed to improve their employment capability. The selection of training sites and location of housing shall be made with due regard to the economic viability of the area, and only after consideration of a labor area survey and full coordination among all Government agencies having primary responsibility for administering related programs.

"(b) Housing and related facilities assisted under this section shall be safe and sanitary, constructed in the most economical manner, and of modest design, giving due consideration to the purposes to be served and the needs of the occupants, and may, in the discretion of the Secretary, include mobile family quarters. Design and location shall be such as to facilitate, as feasible, the use of such housing and related facilities for other purposes when no longer needed for the primary purpose.

"(c) The applicant shall contribute the necessary land, or funds to acquire such land, from its own resources, including land acquired by donation or from funds repayable under subsection (e) or borrowed from other sources.

"(d) No financial assistance shall be made available under this section unless, to the extent and for the periods required by the Secretary, the applicant agrees that—

"(1) such housing will be maintained at all times in a safe and sanitary condition in accordance with standards prescribed by State or local law, or, in the absence of such standards, with requirements prescribed by the Secretary;

"(2) priority shall be given at all times, in granting occupancy of such housing and facilities, to the trainees and their families described in subsection (a); and

"(3) rentals charged them shall not exceed amounts approved by the Secretary after considering the portion of the actual total family income which the family can afford to pay for rent while meeting its other immediate needs during occupancy.

"(e) The Secretary may make advances pursuant to any contract for financial assistance under this section at such times and in such manner as may be specified in the contract. Such advances for the purchase of land shall be repayable with interest and within a period not to exceed thirty-three years and may be made upon such security, if any, as the Secretary requires. Advances for other purposes may be made repayable with or without interest or nonrepayable, as determined by the Secretary on the basis of the anticipated income and cost of operation of the housing and related facilities and the ability of each applicant to finance such facilities. Any advances shall be limited to cover the capital costs of constructing such facilities, plus interest on borrowings to cover such costs.

"(f) Should housing and related facilities assisted pursuant to a contract under this section be sold to an ineligible transferee or diverted to a use other than its primary purpose within a period specified in the contract, all advances made under such contract shall be repaid to the Secretary, up to the amount of the sales price or the fair value of the property as

determined by the Secretary, whichever is higher, with interest from the date of the sale or diversion. If no suitable alternate use of the property is available, as determined by the Secretary, after the purpose of this section can no longer be served, the property shall be returned to its original condition by the recipient of the assistance.

"(g) Interest charged on advances made under this section shall be at a rate, prescribed by the Secretary, which shall be not less than a rate determined by the Secretary of the Treasury taking into consideration the current average market yield on outstanding marketable obligations of the United States with remaining periods to maturity comparable to the average maturities of such loans, adjusted to the nearest one-eighth of 1 per centum, less not to exceed the difference between the adjusted rate determined by the Secretary of the Treasury and 1 per centum per annum, as determined by the Secretary.

"(h) The Secretary shall prescribe regulations to insure that Federal funds expended under this section are not wasted or dissipated.

"(i) As used in this section (1) the term 'related facilities' shall include any necessary community rooms or buildings, infirmaries, utilities, access roads, water and sewer services, and the minimum fixed or movable equipment determined by the Secretary to be necessary to make the

housing reasonably habitable by trainees and their families; and (2) the term 'trainee' means any person receiving training under any federally assisted training program.

"(j) All laborers and mechanics employed in connection with the provision of housing and related facilities assisted under this section, where such housing includes 8 or more dwelling units, shall be paid wages at rates not less than those prevailing on similar construction in the locality as determined by the Secretary of Labor in accordance with the Davis-Bacon Act, as amended (40 U.S.C. 276a—276a–5) ; and no assistance shall be extended under this section with respect to such housing and the related facilities without first obtaining adequate assurance that these labor standards will be maintained upon the construction work involved. The Secretary of Labor shall have, with respect to the labor standards specified in this subsection, the authority and functions set forth in Reorganization Plan Numbered 14 of 1950 (64 Stat. 1267) and section 2 of the Act of June 13, 1934 (40 U.S.C. 276c).

"(k) There are authorized to be appropriated such sums as may be necessary to carry out this section."

APPROPRIATIONS

SEC. 903. Section 513 of the Housing Act of 1949 is amended—

(1) by striking out "and (e)" and inserting in lieu thereof "(e)"; and

(2) by inserting before the period at the end thereof the following: "; and (f) such sums as may be required by the Secretary to administer the provisions of sections 235 and 236 of the National Housing Act".

PURCHASE OF LAND FOR BUILDING SITES

SEC. 904. Section 514 (f) (2) of the Housing Act of 1949 is amended—

(1) by striking out "and" before "(B)", and

(2) by inserting before the semicolon at the end thereof the following: "and (C) land necessary for an adequate site".

MUTUAL AND SELF-HELP HOUSING

SEC. 905. Title V of the Housing Act of 1949 is amended by adding after section 522 (as added by section 902 of this Act) the following new section:

"MUTUAL AND SELF-HELP HOUSING

"SEC. 523. (a) The purposes of this section are (1) to make financial assistance available on reasonable terms and conditions in rural areas and small towns to needy low-income individuals and their families who, with the benefit of technical assistance and overall guidance and supervision, participate in approved programs of mutual or self-help housing by acquiring and developing necessary land, ac-

quiring building materials, providing their own labor, and working cooperatively with others for the provision of decent, safe, and sanitary dwellings for themselves, their families, and others in the area or town involved, and (2) to facilitate the efforts of both public and private nonprofit organizations providing assistance to such individuals to contribute their technical and supervisory skills toward more effective and comprehensive programs of mutual or self-help housing in rural areas and small towns wherever necessary.

"(b) In order to carry out the purposes of this section, the Secretary of Agriculture (in this section referred to as the "Secretary") is authorized—

"(1) to make grants to, or contract with, public or private nonprofit corporations, agencies, institutions, organizations, and other associations approved by him, to pay part or all of the costs of developing, conducting, administering, or coordinating effective and comprehensive programs of technical and supervisory assistance which will aid needy low-income individuals and their families in carrying out mutual or self-help housing efforts;

"(2) to make loans, on such terms and conditions and in such amounts as he deems necessary, to needy

low-income individuals participating in programs of mutual or self-help housing approved by him, for the acquisition and development of land and for the purchase of such other building materials as may be necessary in order to enable them, by providing substantially all of their own labor, and by cooperating with others participating in such programs, to carry out to completion the construction of decent, safe, and sanitary dwellings for such individuals and their families, subject to the following limitations:

"(A) there is reasonable assurance of repayment of the loan;

"(B) the amount of the loan, together with other funds which may be available, is adequate to achieve the purpose for which the loan is made;

"(C) the credit assistance is not otherwise available on like terms or conditions from private sources or through other Federal, State, or local programs;

"(D) the loan bears interest at a rate not to exceed 3 per centum per annum on the unpaid balance of principal, plus such additional charge, if any, toward covering other costs of the loan program as the Secretary may determine to be consistent with its purposes; and

"(E) the loan is repayable within not more than thirty-three years.

"(c) In determining whether to extend financial assistance under paragraph (1) or (2) of subsection (b), the Secretary shall take into consideration, among other factors, the suitability of the area within which construction will be carried out to the type of dwelling which can be provided under mutual or self-help housing programs, the extent to which the assistance will facilitate the provision of more decent, safe, and sanitary housing conditions than presently exist in the area, the extent to which the assistance will be utilized efficiently and expeditiously, the extent to which the assistance will effect an increase in the standard of living of low-income individuals participating in the mutual or self-help housing program, and whether the assistance will fulfill a need in the area which is not otherwise being met through other programs, including those carried out by other Federal, State, or local agencies.

"(d) As used in this section, the term 'construction' includes the erection of new dwellings, and the rehabilitation, alteration, conversion, or improvement of existing structures.

"(e) The Secretary is authorized to establish appropriate criteria and procedures in order to determine the eligibility of applicants for the financial assistance provided under this section, including criteria and procedures with respect to

the periodic review of any construction carried out with such financial assistance.

"(f) There are hereby authorized to be appropriated for each fiscal year commencing after June 30, 1968, and ending prior to July 1, 1973, such sums, not in excess of $5,000,000 for any such fiscal year, as may be necessary to carry out the provisions of this section. No grant or loan may be made or contract entered into under the authority of this section after June 30, 1973, except pursuant to a commitment or other obligation entered into pursuant to this section before that date."

TITLE X—URBAN PROPERTY PROTECTION AND REINSURANCE

SHORT TITLE

SEC. 1001. This title may be cited as the "Urban Property Protection and Reinsurance Act of 1968."

FINDINGS AND DECLARATION OF PURPOSE

SEC. 1002. (a) The Congress finds that (1) the vitality of many American cities is being threatened by the deterioration of their inner city areas; responsible owners of well-maintained residential, business, and other properties in many of these areas are unable to obtain adequate property insurance coverage against fire, crime, and other perils; the lack of such insurance coverage accelerates the deterioration of these areas by discouraging private investment and restrict-

ing the availability of credit to repair and improve property therein; and this deterioration poses a serious threat to the national economy; (2) recent riots and other civil commotion in many American cities have brought about abnormally high losses to the private property insurance industry for which adequate reinsurance cannot be obtained at reasonable cost, and the risk of such losses will make most lines of property insurance even more difficult to obtain; (3) the capacity of the private property insurance industry to provide adequate insurance is threatened, and the continuity of such property insurance protection is essential to the extension of credit in these areas; and (4) the national interest demands urgent action by the Congress to assure that essential lines of property insurance, including lines providing protection against riot and civil commotion damage will be available to property owners at reasonable cost.

(b) The purposes of this title are, therefore, to (1) encourage and assist the various State insurance authorities and the property insurance industry to develop and carry out statewide programs which will make necessary property insurance coverage against the fire, crime, and other perils more readily available for residential, business, and other properties meeting reasonable underwriting standards; and (2) provide a Federal program of reinsurance against abnormally high property insurance losses resulting from riots

and other civil commotion, placing appropriate financial responsibility upon the States to share in such losses.

AMENDMENT OF THE NATIONAL HOUSING ACT

SEC. 1003. The National Housing Act is amended by adding at the end thereof the following new title:

"TITLE XII—NATIONAL INSURANCE DEVELOPMENT PROGRAM

"PROGRAM AUTHORITY

"SEC. 1201. (a) The Secretary is authorized to establish and carry out the programs provided for in parts A, B, and C of this title.

"(b) (1) The powers of the Secretary under this title shall terminate on April 30, 1973, except to the extent necessary—

"(A) to continue reinsurance in accordance with the provisions of section 1223 (b) until April 30, 1976;

"(B) to process, verify, and pay claims for reinsured losses and perform other necessary functions in connection therewith; and

"(C) to complete the liquidation and termination of the reinsurance program.

"(2) On April 30, 1976, or as soon thereafter as possible, the Secretary shall submit to the Congress, for its approval, a plan for the liquidation and termination of the reinsurance program.

"ADVISORY BOARD; MEETINGS, DUTIES, COMPENSATION, AND EXPENSES

"SEC. 1202. (a) (1) There is established an Advisory Board (hereinafter called the 'Board') consisting of nineteen members appointed by the Secretary. Members of the Board shall be selected from among representatives of the general public, the insurance industry, State and local governments including State insurance authorities, and the Federal Government. Of these members of the Board, not more than six shall be regular full-time employees of the Federal Government, and not less than four shall be representatives of the private insurance industry and not less than four shall be representatives of State insurance authorities.

"(2) The Secretary shall designate a Chairman and a Vice Chairman of the Board.

"(3) Each member shall serve for a term of two years or until his successor has been appointed, except that no person who is appointed while a full-time employee of a State or the Federal Government shall serve in such position after he ceases to be so employed, unless he is reappointed.

"(4) Any member appointed to fill a vacancy occurring prior to the expiration of the term for which his predecessor was appointed shall be appointed for the remainder of that term.

"(b) The Chairman shall preside at all meetings, and the Vice Chairman shall preside in the absence or disability of the Chairman. In the absence of both the Chairman and Vice Chairman, the Secretary may appoint any member to act as Chairman pro tempore. The Board shall meet at such times and places as it or the Secretary may fix and determine, but shall hold at least four regularly scheduled meetings a year. Special meetings may be held at the call of the Chairman or any three members of the Board, or at the call of the Secretary.

"(c) The Board shall review general policies and shall advise the Secretary with respect thereto, and perform such other functions as are specified in this title.

"(d) The members of the Board shall not, by reason of such membership, be deemed to be employees of the United States, and such members, except those who are regular full-time employees of the Government, shall receive for their services, as members, the per diem equivalent to the rate for grade GS–18 of the General Schedule under section 5332 of title 5, United States Code, when engaged in the performance of their duties, and each member of the Board shall be allowed travel expenses, including per diem in lieu of subsistence, as authorized by section 5703 of such title for persons in the Government service employed intermittently.

"DEFINITIONS

"SEC. 1203. (a) When used in this title, unless the context otherwise requires, the term—

"(1) 'environmental hazard' means any hazardous condition that might give rise to loss under an insurance contract, but which is beyond the control of the property owner;

"(2) 'essential property insurance' means insurance against direct loss to property as defined and limited in standard fire policies and extended coverage endorsement thereon, as approved by the State insurance authority and the Secretary, and insurance for such types, classes, and locations of property against the perils of vandalism, malicious mischief, burglary, or theft, as the Secretary by rule shall designate. Such insurance shall not include automobile insurance and shall not include insurance on such types of manufacturing risks as may be excluded by the State insurance authority;

"(3) 'inspection facility', with respect to any State, means any rating bureau or other person designated by the State insurance authority to perform inspections under fair access to insurance requirements plans under part A;

"(4) 'insurer' includes any insurance company or

group of companies under common ownership which is authorized to engage in the insurance business under the laws of any State;

"(5) 'pool' means any pool or association of insurance companies in any State which is formed, associated, or otherwise created for the purpose of making property insurance more readily available;

"(6) 'losses resulting from riots or civil disorders' means losses resulting from riots or civil disorders under policies for standard lines of property insurance for which reinsurance is offered under section 1221, as determined under regulations of the Secretary;

"(7) 'property owner', with respect to any real, personal, or mixed real and personal property, means any person having an insurable interest in such property;

"(8) 'person' includes any individual or group of individuals, corporation, partnership, or association, or any other organized group of persons;

"(9) 'reinsured losses' means losses on reinsurance claims and all direct expenses incurred in connection therewith including, but not limited to, expenses for processing, verifying, and paying such losses;

"(10) 'standard line of property insurance' includes—

"(A) fire and extended coverage;

"(B) vandalism and malicious mischief;

"(C) other allied lines of fire insurance;

"(D) burglary and theft;

"(E) those portions of multiple peril policies covering perils similar to those provided for in subparagraphs (A), (B), (C), and (D);

"(F) inland marine;

"(G) glass;

"(H) boiler and machinery;

"(I) ocean marine;

"(J) aircraft physical damage; and

"(K) such other lines generally offered to the public which include protection against damage from riot or civil commotion as the Secretary by regulation may designate;

"(11) 'State' means the several States, the District of Columbia, the Commonwealth of Puerto Rico, Guam, American Samoa, and the Trust Territory of the Pacific;

"(12) 'urban area' includes any municipality or other political subdivision of a State, subject to population or other limitations defined in rules and regulations of the Secretary and such additional areas as may be designated by the State insurance authority; and

"(13) 'year' means a calendar year, fiscal year of

a company, or such other period of twelve months as may be designated by the Secretary.

"(b) The Secretary is authorized to define, by rules and regulations, any technical or trade term, insofar as such definition is not inconsistent with the provisions of this title.

"PART A—STATEWIDE PLANS TO ASSURE FAIR ACCESS TO INSURANCE REQUIREMENTS

"FAIR PLANS

"SEC. 1211. (a) Each insurer reinsured under this title shall cooperate with the State insurance authority in each State in which it is to acquire such reinsurance in establishing and carrying out statewide plans to assure fair access to insurance requirements (FAIR plans).

"(b) Such plans must be approved by the State insurance authority, or be authorized or required by State law, and shall be designed to make essential property insurance more readily available in, but not necessarily limited to, urban areas. Such plans may vary in detail from State to State because of local conditions, but all plans shall contain provision that—

"(1) no risk shall be written at surcharged rates or be denied insurance coverage for essential property insurance unless there has first been an inspection of the risk, without cost to the owner, by an inspection facility and a determination by the insurer, based on

information in the inspection report and other sources, that the risk does not meet reasonable underwriting standards at the applicable premium rate;

"(2) inspections under the plan may be requested by the property owner or his representative, the insurer, or the insurance agent, broker or other producer, and such requests need not be made in writing;

"(3) the absence of a building owner or his representative during an inspection shall not preclude a tenant seeking insurance from obtaining an inspection under the plan;

"(4) following the inspection, a copy of the inspection report shall be promptly sent by the inspection facility to the insurer or insurers, or to an all-industry placement facility referred to under section 1212, as may be designated by the person requesting the inspection;

"(5) after the inspection report is received by an insurer, it shall promptly determine if the risk meets reasonable underwriting standards at the applicable premium rate, and shall promptly return to the inspection facility the inspection report and provide an action report setting forth—

"(A) (i) the amount of coverage it agrees to write; and if the insurer agrees to write the cover-

age with a surcharge (if such a surcharge is authorized by the State insurance authority), the improvements necessary before it will provide coverage at an unsurcharged premium rate; and

"(ii) the amount of coverage it agrees to write if certain improvements specified in the action report are made; or

"(B) the specific reasons it declines to write coverage;

"(6) if the insurer declines the risk, or agrees to write the coverage sought on condition that the property will be improved, it shall also promptly send a copy of both the inspection and action reports to the property owner and the State insurance authority, and at the time the insurer sends such reports to the property owner, it shall also explain his right, under applicable State laws, to appeal the decision of the insurer to the State insurance authority, setting forth the procedures to be followed for such appeal;

"(7) all policies written pursuant to the plan shall be promptly written after inspection or reinspection and shall be separately coded so that appropriate records may be compiled for purposes of performing loss prevention and other studies of the operation of the plan;

"(8) the inspection facility shall submit to the

State insurance authority and to the Secretary periodic reports setting forth information, by individual insurers, including the number of risks inspected under the plan, the number of risks accepted, the number of risks conditionally accepted and reinspections made, the number of risks declined, and such other information as the State insurance authority may request;

"(9) notice will be given to any policyholder a reasonable time prior to the cancellation or nonrenewal of any risk eligible under the plan (except in case of nonpayment of premium or evidence of incendiarism), to allow ample time for an application for new coverage to be made and a new policy to be written under the plan, and the insurer shall, in writing, explain to the policyholder the procedures for obtaining an inspection under the plan in the notice of cancellation or nonrenewal; and

"(10) a continuing public education program will be undertaken by the participating insurers, agents, and brokers to assure that the plan receives adequate public attention.

"ALL-INDUSTRY PLACEMENT FACILITY

"SEC. 1212. Any plan under this part shall include an all-industry placement facility doing business with every

insurer participating in the plan in the State, and shall provide that this facility shall perform certain functions including, but not limited to, the following:

"(1) seeking, upon request by or on behalf of any property owner requesting an inspection under the plan, to distribute the risks involved equitably among the insurers with which it is doing business; and

"(2) seeking to place insurance up to the full insurable value of the risk to be insured with one or more insurers with which it is doing business, except to the extent that deductibles, percentage participation clauses, and other underwriting devices are employed to meet special problems of insurability.

"INDUSTRY COOPERATION

"SEC. 1213. (a) Every insurer seeking reinsurance under this title shall file a statement with the State insurance authority in each State in which it is participating in a plan under this part, pledging its full participation and cooperation in carrying out the plan, and shall file a copy of such statement with the Secretary.

"(b) No insurer acquiring reinsurance under this title shall direct any agent or broker or other producer not to solicit business through such a plan, nor shall any agent, broker, or other producer be penalized by such insurer in

any way for submitting applications for insurance to an insurer under the plan.

"PLAN EVALUATION

"SEC. 1214. (a) In accordance with such rules and regulations as the Secretary may prescribe, each State insurance authority shall—

"(1) transmit to the Secretary any proposed or adopted plan, or amendments thereto; and

"(2) advise the Secretary, from time to time, concerning the operation of the plan, its effectiveness in providing essential property insurance, and the need to form a pool of insurers or adopt other programs to make essential property insurance more readily available in urban areas of the State.

"(b) The Secretary may, after full consultation with the Board, by rules and regulations, modify the plan criteria set forth under this part, if it finds, on the basis of experience, that such action is necessary or desirable to carry out the purposes of this title. The Secretary may also, with respect to any State, waive compliance with one or more of the plan criteria, upon certification by the State insurance authority that compliance is unnecessary or inadvisable under local conditions or State law.

"PART B—REINSURANCE COVERAGE

"REINSURANCE OF LOSSES FROM RIOTS OR CIVIL DISORDERS

"SEC. 1221. (a) (1) The Secretary is authorized to offer to any insurer or pool, subject to the conditions set forth in section 1223, reinsurance against property losses resulting from riots or civil disorders in any one or more States.

"(2) Reinsurance shall be offered to any such insurer or pool only on all standard lines of property insurance enumerated under subparagraphs (A) through (E) of section 1203 (a) (10) together, and any insurer or pool purchasing such reinsurance shall also be eligible to purchase reinsurance on any one or more standard lines of property insurance enumerated under subparagraphs (F) through (J) of section 1203 (a) (10) or which may be designated by regulation pursuant to subparagraph (K) of that section.

"(b) Reinsurance coverage under this section may be provided immediately following the enactment of this title to any insurer or pool in any State on a temporary basis, and on such terms and conditions as may be agreed upon, and coverage under such terms and conditions may be bound with respect to any such insurer or pool by means of a written binder which shall remain in force not more than ninety days and shall expire at the earlier of either—

"(1) the termination of such ninety-day period, or

"(2) the effective date of any governing contract, agreement, treaty, or other arrangement entered into between the insurer or pool and the Secretary under section 1222 for the purpose of providing reinsurance coverage against losses resulting from riots or civil disorders.

"(c) No reinsurance shall be offered to any insurer or pool in a State after the expiration of the written binder entered into under subsection (b), unless there is in effect in such State a plan as set forth under part A and the insurer or pool is participating in such plan, and unless, in the case of an insurer in a State where a pool has been established pursuant to State law, the insurer is participating in such a pool.

"REINSURANCE AGREEMENTS AND PREMIUMS

"SEC. 1222. (a) During the first year following the date of the enactment of this title, the Secretary is authorized to enter into any contract, agreement, treaty, or other arrangement with any insurer or pool for reinsurance coverage, in consideration of payment of such premiums, fees, or other charges by insurers or pools which the Secretary, after full consultation with the Board, deems to be adequate to obtain aggregate reinsurance premiums for deposit in the National Insurance Development Fund established under section 1233 in excess of the estimated amount of insured riot losses dur-

ing the calendar year 1967, on the assumption that a substantial proportion of the property insurance written will be reinsured under this title, and thereafter the Secretary may increase or decrease such premiums for reinsurance if it is found after full consultation with the Board and the National Association of Insurance Commissioners that such action is necessary or appropriate to carry out the purposes of this title.

"(b) Reinsurance offered under this title shall reimburse an insurer or pool for its total proved and approved claims for covered losses resulting from riots or civil disorders during the term of the reinsurance contract, agreement, treaty, or other arrangement, over and above the amount of the insurer's or pool's retention of such losses as provided in such reinsurance contract, agreement, treaty, or other arrangement entered into under this section.

"(c) Such contracts, agreements, treaties, or other arrangements may be made without regard to section 3679 (a) of the Revised Statutes of the United States (31 U.S.C. 665 (a)), and shall include any terms and conditions which the Secretary deems necessary to carry out the purposes of this title. The premium rates, terms, and conditions of such contracts with insurers or pools, throughout the country, in any one year shall be uniform.

"(d) Any contract, agreement, treaty, or other arrange-

ment for reinsurance under this section shall be for a term expiring on April 30, 1969, and on April 30 each year thereafter, and shall be entered into within ninety days after the date of the enactment of this title or within ninety days prior to April 30 each year thereafter, or within ninety days after an insurer is authorized to write insurance eligible for reinsurance in a State which it was not authorized to write in the preceding year.

"CONDITIONS OF REINSURANCE

"SEC. 1223. (a) Subject to the provisions of subsection (b), reinsurance shall not be offered by the Secretary in a State or be applicable to insurance policies written in that State by an insurer—

"(1) after one year following the date of the enactment of this title, or, if the appropriate State legislative body has not met in regular session during that year, by the close of its next regular session, in any State which has not adopted appropriate legislation, retroactive to the date of the enactment of this title, under which the State, its political subdivisions, or a governmental corporation or fund established pursuant to State law, will reimburse the Secretary, in an amount up to 5 per centum of the aggregate property insurance premiums earned in that State during the preceding calendar year on those lines of insurance reinsured by the Secretary in

that State during the current year, such that the Secretary may be reimbursed for amounts paid by him in respect to reinsured losses that occurred in that State during a calendar year in excess of (A) reinsurance premiums received in that State during the same calendar year plus (B) the excess of (i) the total premiums received by the Secretary for reinsurance in that State during a preceding period measured from the end of the most recent calendar year with respect to which the Secretary was reimbursed for losses under this title over (ii) any amounts paid by the Secretary for reinsured losses that occurred during this same period;

"(2) after thirty days following notification to the insurer that the Secretary finds that there has not been adopted by the State, or the property insurance industry in that State, a suitable program or programs, in addition to plans under part A, to make essential property insurance available without regard to environmental hazards, and that such action is necessary to carry out the purposes of this title; except that this paragraph shall not become effective until two years after the date of the enactment of this title, or at such earlier date as the Secretary, after consultation with the State insurance authority, may determine;

"(3) after thirty days following notification to the insurer that the Secretary, or the State insurance authority, finds that such insurer is not fully participating—

"(A) in the plan in the State;

"(B) where it exists, in a pool; and

"(C) where it exists, in any other program found by the Secretary to aid in making essential property insurance more readily available in the State;

"(4) following a merger, acquisition, consolidation or reorganization involving one or more insurers having lines of property insurance in the State reinsured under this title and one or more insurers with or without such reinsurance, unless the surviving company—

"(A) meets the criteria of eligibility for reinsurance, other than as provided under section 1222 (d) ; and

"(B) within ten days pays any reinsurance premiums due; or

"(5) upon receipt of notice from the insurer or pool that it desires to cancel its reinsurance agreement with the Secretary in the State.

"(b) Notwithstanding the foregoing provisions of this section, reinsurance may be continued for the term of the

policies written prior to the date of termination or non-renewal of reinsurance under this section, for as long as the insurer pays reinsurance premiums annually in such amounts as are determined under section 1222, based on the annual premiums earned on such reinsured policies, and for the purpose of this subsection, the renewal, extension, modification, or other change in a policy, for which any additional premium is charged, shall be deemed to be a policy written on the date such change was made.

"RECOVERY OF PREMIUMS; STATUTE OF LIMITATIONS

"SEC. 1224. (a) The Secretary, in a suit brought in the appropriate United States district court, shall be entitled to recover from any insurer the amount of any unpaid premiums lawfully payable by such insurer to the Secretary.

"(b) No action or proceeding shall be brought for the recovery of any premium due to the Secretary for reinsurance, or for the recovery of any premium paid to the Secretary in excess of the amount due to him, unless such action or proceeding shall have been brought within five years after the right accrued for which the claim is made, except that, where the insurer has made or filed with the Secretary a false or fraudulent annual statement, or other document with the intent to evade, in whole or in part, the payment of premiums, the claim shall not be deemed to have accrued until its discovery by the Secretary.

"PART C—PROVISIONS OF GENERAL APPLICABILITY

"CLAIMS AND JUDICIAL REVIEW

"SEC. 1231. (a) All reinsurance claims for losses under this title shall be submitted by insurers in accordance with such terms and conditions as may be established by the Secretary.

"(b) (1) Upon disallowance of any claim under color of reinsurance made available under this title, or upon refusal of the claimant to accept the amount allowed upon any such claim, the claimant may institute an action against the Secretary on such claim in the United States district court for the district in which a major portion (in terms of value) of the claim arose.

"(2) Any such action must be begun within one year after the date upon which the claimant received written notice of disallowance or partial disallowance of the claim, and exclusive jurisdiction is hereby conferred upon United States district courts to hear and determine such actions without regard to the amount in controversy.

"FISCAL INTERMEDIARIES AND SERVICING AGENTS

"SEC. 1232. (a) In order to provide for maximum efficiency in the administration of the reinsurance program under this title, and in order to facilitate the expeditious payment of any funds under such program, the Secretary may enter into contracts with any insurer, pool, or other

person, for the purpose of providing for the performance of any or all of the following functions:

"(1) estimating or determining any amounts of payments for reinsurance claims;

"(2) receiving and disbursing and accounting for funds in making payments for reinsurance claims;

"(3) auditing the records of any insurer, pool, or other person to the extent necessary to assure that proper payments are made;

"(4) establishing the basis of liability for reinsurance payments, including the total amount of proved and approved claims which may be payable to any insurer, and the total amount of premiums earned by any insurer in the respective States for reinsured lines of property insurance; and

"(5) otherwise assisting in any manner provided in the contract to further the purposes of this title.

"(b) (1) Any such contract may require the insurer, pool, or other person, or any of its officers or employees certifying payments or disbursing funds pursuant to the contract, or otherwise participating in carrying out the contract, to give surety bond to the United States in such amounts as the Secretary may deem appropriate.

"(2) In the absence of gross negligence or intent to defraud the United States—

"(A) no individual designated pursuant to a contract under this section to certify payments shall be liable with respect to any payment certified by him under this section; and

"(B) no officer of the United States disbursing funds shall be liable with respect to any otherwise proper payment by him if it was based on a voucher signed by an individual designated pursuant to a contract under this section to certify payments.

"NATIONAL INSURANCE DEVELOPMENT FUND

"SEC. 1233. (a) To carry out the programs authorized under this title, the Secretary is authorized to establish a National Insurance Development Fund (hereinafter called the 'fund') which shall be available, without fiscal year limitations—

"(1) to make such payments as may, from time to time, be required under reinsurance contracts under this title;

"(2) to pay such administrative expenses as may be necessary or appropriate to carry out the purposes of this title; and

"(3) to repay to the Secretary of the Treasury such sums, including interest thereon, as may be borrowed from him for purposes of such programs under section 520(b).

"(b) The fund shall be credited with—

"(1) reinsurance premiums, fees, and other charges which may be paid or collected in connection with reinsurance provided under part B;

"(2) interest which may be earned on investments of the fund;

"(3) such amounts as may be advanced to the fund from appropriations in order to maintain the fund in an operative condition adequate to meet its liabilities;

"(4) receipts from any other source which may, from time to time, be credited to the fund; and

"(5) funds borrowed by the Secretary under section 520(b) and deposited in the fund.

"(c) If, after any amounts which may have been advanced to the fund from appropriations have been credited to the appropriation from which advanced (including interest thereon at the rate prescribed under section 520(b)), the Secretary determines that the moneys of the fund are in excess of current needs, he may request the investment of such amounts as he deems advisable by the Secretary of the Treasury in obligations issued or guaranteed by the United States.

"RECORDS, ANNUAL STATEMENT, AND AUDITS

"SEC. 1234. (a) Any insurer or pool acquiring reinsurance under this title shall furnish the Secretary with such

summaries and analyses of information in its records as may be necessary to carry out the purposes of this title, in such form as the Secretary, in cooperation with the State insurance authority, shall, by rules and regulations, prescribe. The Secretary shall make use of State insurance authority examination reports and facilities to the maximum extent feasible.

"(b) Any insurer or pool acquiring reinsurance under this title shall file with the Secretary a true and correct copy of any annual statement, or amendment thereof, filed with the State insurance authority of its domiciliary State, at the time it files such statement or amendment with such State insurance authority.

"(c) Any insurer or other person executing any contract, agreement, or other appropriate arrangement with the Secretary under section 1222 or section 1232 shall keep reasonable records which fully disclose the total costs of the programs undertaken or the services being rendered, and such other records as will facilitate an effective audit of liability for reinsurance payments by the Secretary.

"(d) The Secretary and the Comptroller General of the United States, or any of their duly authorized representatives, shall have access for the purpose of investigation, audit, and examination to any books, documents, papers, and records of any insurer or other person that are pertinent

to the costs of any program undertaken for, or services rendered to, the Secretary. Such audits shall be conducted to the maximum extent feasible in cooperation with the State insurance authorities and through the use of their examining facilities.

"STUDY OF REINSURANCE AND OTHER PROGRAMS

"SEC. 1235. (a) The Secretary is authorized and directed to conduct a study of reinsurance and other means to help assure—

"(1) an adequate market for burglary and theft and other property insurance in urban areas; and

"(2) adequate availability of surety bonds for construction contractors in urban areas.

"(b) The Secretary shall submit the results of this study, together with appropriate recommendations, to the President and Congress no later than one year following the date of the enactment of this title.

"OTHER STUDIES

"SEC. 1236. (a) The Secretary is authorized to undertake such studies as may be necessary to carry out the purposes of this title including, but not limited to, inquiries concerning—

"(1) the operation of plans under part A;

"(2) the extent to which essential property insurance is unavailable in urban areas;

"(3) the market for private reinsurance; and

"(4) loss prevention methods and procedures, insurance marketing methods, and underwriting techniques.

"(b) To such extent and under such circumstances as he deems appropriate, the Secretary may conduct any study authorized under this section in cooperation with State insurance authorities and the private insurance industry.

"GENERAL POWERS

"SEC. 1237. In the performance of, and with respect to, the functions, powers, and duties vested in him by this title, the Secretary shall (in addition to any authority otherwise vested in him) have the functions, powers, and duties (including the authority to issue rules and regulations) set forth in section 402, except subsections (c) (2), (d), and (f), of the Housing Act of 1950.

"SERVICES AND FACILITIES OF OTHER AGENCIES—UTILIZATION OF PERSONNEL, SERVICES, FACILITIES, AND INFORMATION

"SEC. 1238. The Secretary may, with the consent of the agency concerned, accept and utilize, on a reimbursable basis, the officers, employees, services, facilities, and information of any agency of the Federal Government, except that any such agency having custody of any data relating to any of the matters within the jurisdiction of the Secretary

shall, to the extent permitted by law, upon request of the Secretary, make such data available to the Secretary.

"ADVANCE PAYMENTS

"SEC. 1239. Any payments which are made under the authority of this title may be made, after necessary adjustments on account of previously made underpayments or overpayments in advance or by way of reimbursement. Payments may be made in such installments and on such conditions as the Secretary may determine.

"TAXATION

"SEC. 1240. (a) The National Insurance Development Fund, including its reserves, surplus, and income, shall be exempt from all taxation now or hereafter imposed by the United States, or by any State, or any subdivision thereof, except that any real property acquired by the Secretary as a result of reinsurance shall be subject to taxation by any State or political subdivision thereof, to the same extent, according to its value, as other real property is taxed.

"(b) Any measures undertaken by any State to meet or to fund its obligations under section 1223 (a) (1) shall not be the subject of any retaliatory or fiscal imposition by any other State.

"APPROPRIATIONS

"SEC. 1241. There are hereby authorized to be appropriated such sums as may be necessary to carry out this title."

FINANCING

SEC. 1004. Section 520(b) of the National Housing Act is amended by inserting "(1)" after "necessary" in the first sentence, and by striking out the period at the end of such sentence and inserting in lieu thereof ", and (2) to make payments for reinsured losses under title XII of this Act: *Provided, however,* That borrowings to make payments for reinsured losses under title XII shall be limited to $150,000,000 or such further sum as the Congress, by joint resolution, may from time to time determine."

TITLE XI—NATIONAL FLOOD INSURANCE

SHORT TITLE

SEC. 1101. This title may be cited as the "National Flood Insurance Act of 1968".

FINDINGS AND DECLARATION OF PURPOSE

SEC. 1102. (a) The Congress finds that (1) from time to time flood disasters have created personal hardships and economic distress which have required unforeseen disaster

relief measures and have placed an increasing burden on the Nation's resources; (2) despite the installation of preventive and protective works and the adoption of other public programs designed to reduce losses caused by flood damage, these methods have not been sufficient to protect adequately against growing exposure to future flood losses; (3) as a matter of national policy, a reasonable method of sharing the risk of flood losses is through a program of flood insurance which can complement and encourage preventive and protective measures; and (4) if such a program is initiated and carried out gradually, it can be expanded as knowledge is gained and experience is appraised, thus eventually making flood insurance coverage available on reasonable terms and conditions to persons who have need for such protection.

(b) The Congress also finds that (1) many factors have made it uneconomic for the private insurance industry alone to make flood insurance available to those in need of such protection on reasonable terms and conditions; but (2) a program of flood insurance with large-scale participation of the Federal Government and carried out to the maximum extent practicable by the private insurance industry is feasible and can be initiated.

(c) The Congress further finds that (1) a program of flood insurance can promote the public interest by providing appropriate protection against the perils of flood losses and

encouraging sound land use by minimizing exposure of property to flood losses; and (2) the objectives of a flood insurance program should be integrally related to a unified national program for flood plain management and, to this end, it is the sense of Congress that within two years following the date of the enactment of this Act the President should transmit to the Congress for its consideration any further proposals necessary for such a unified program, including proposals for the allocation of costs among beneficiaries of flood protection.

(d) It is therefore the purpose of this title to (1) authorize a flood insurance program by means of which flood insurance, over a period of time, can be made available on a nationwide basis through the cooperative efforts of the Federal Government and the private insurance industry, and (2) provide flexibility in the program so that such flood insurance may be based on workable methods of pooling risks, minimizing costs, and distributing burdens equitably among those who will be protected by flood insurance and the general public.

(e) It is the further purpose of this title to (1) encourage State and local governments to make appropriate land use adjustments to constrict the development of land which is exposed to flood damage and minimize damage caused by flood losses, (2) guide the development of pro-

posed future construction, where practicable, away from locations which are threatened by flood hazards, (3) encourage lending and credit institutions, as a matter of national policy, to assist in furthering the objectives of the flood insurance program, (4) assure that any Federal assistance provided under the program will be related closely to all flood-related programs and activities of the Federal Government, and (5) authorize continuing studies of flood hazards in order to provide for a constant reappraisal of the flood insurance program and its effect on land use requirements.

AMENDMENTS TO THE FEDERAL FLOOD INSURANCE ACT OF 1956

SEC. 1103. (a) The second sentence of section 15 (e) of the Federal Flood Insurance Act of 1956 (79 Stat. 1078) is amended—

(1) by striking out "rate" the second time it appears in such sentence, and inserting in lieu thereof "market yield", and

(2) by striking out "as of the last day of", and inserting in lieu thereof "during".

(b) Section 15 (e) of such Act is further amended by striking out the last sentence thereof.

(c) Sections 2 through 14, subsections (a) through (d), and (f) and (g) of section 15, and sections 16 through 23 of such Act are hereby repealed.

CHAPTER I—THE NATIONAL FLOOD INSURANCE PROGRAM

BASIC AUTHORITY

SEC. 1105. (a) To carry out the purposes of this title, the Secretary of Housing and Urban Development is authorized to establish and carry out a national flood insurance program which will enable interested persons to purchase insurance against loss resulting from physical damage to or loss of real property or personal property related thereto arising from any flood occurring in the United States.

(b) In carrying out the flood insurance program the Secretary shall, to the maximum extent practicable, encourage and arrange for—

(1) appropriate financial participation and risk sharing in the program by insurance companies and other insurers, and

(2) other appropriate participation, on other than a risk-sharing basis, by insurance companies and other insurers, insurance agents and brokers, and insurance adjustment organizations,

in accordance with the provisions of chapter II.

SCOPE OF PROGRAM AND PRIORITIES

SEC. 1106. (a) In carrying out the flood insurance program the Secretary shall afford a priority to making flood

insurance available to cover residential properties which are designed for the occupancy of from one to four families and business properties which are owned or leased and operated by small business concerns.

(b) If on the basis of—

(1) studies and investigations undertaken and carried out and information received or exchanged under section 1108, and

(2) such other information as may be necessary,

the Secretary determines that it would be feasible to extend the flood insurance program to cover any types or classes of—

(A) other residential properties,

(B) other business properties,

(C) agricultural properties,

(D) properties occupied by private nonprofit organizations, or

(E) properties owned by State and local governments and agencies thereof,

he shall transmit such determination to the Congress together with his recommendations with respect to any such extension of the program.

(c) The Secretary shall make flood insurance available in only those States or areas (or subdivisions thereof) which he has determined have—

(1) evidenced a positive interest in securing flood

insurance coverage under the flood insurance program, and

(2) given satisfactory assurance that by June 30, 1970, permanent land use and control measures will have been adopted for the State or area (or subdivision) which are consistent with the comprehensive criteria for land management and use developed under section 1161, and that the application and enforcement of such measures will commence as soon as technical information on floodways and on controlling flood elevations is available.

NATURE AND LIMITATION OF INSURANCE COVERAGE

SEC. 1107. (a) The Secretary shall from time to time, after consultation with the advisory committee authorized under section 1119, appropriate representatives of the pool formed or otherwise created under section 1131, and appropriate representatives of the insurance authorities of the respective States, provide by regulation for general terms and conditions of insurability which shall be applicable to properties eligible for flood insurance coverage under section 1106, including—

(1) the types, classes, and locations of any such properties which shall be eligible for flood insurance;

(2) the nature and limits of loss or damage in any areas (or subdivisions thereof) which may be covered by such insurance;

(3) the classification, limitation, and rejection of any risks which may be advisable;

(4) appropriate minimum premiums;

(5) appropriate loss-deductibles; and

(6) any other terms and conditions relating to insurance coverage or exclusion which may be necessary to carry out the purposes of this title.

(b) In addition to any other terms and conditions under subsection (a), such regulations shall provide that—

(1) any flood insurance coverage based on chargeable premium rates under section 1109 which are less than the estimated premium rates under section 1108

(a) (1) shall not exceed—

(A) in the case of residential properties which are designed for the occupancy of from one to four families—

(i) $17,500 aggregate liability for any dwelling unit, and $30,000 for any single dwelling structure containing more than one dwelling unit, and

(ii) $5,000 aggregate liability per dwelling unit for any contents related to such unit;

(B) in the case of business properties which are owned or leased and operated by small business concerns, an aggregate liability with respect to any sin-

gle structure, including any contents thereof related to premises of small business occupants (as that term is defined by the Secretary), which shall be equal to (i) $30,000 plus (ii) $5,000 multiplied by the number of such occupants and shall be allocated among such occupants (or among the occupant or occupants and the owner) under regulations prescribed by the Secretary; except that the aggregate liability for the structure itself may in no case exceed $30,000; and

(C) in the case of any other properties which may became eligible for flood insurance coverage under section 1106—

(i) $30,000 aggregate liability for any single structure, and

(ii) $5,000 aggregate liability per dwelling unit for any contents related to such unit in the case of residential properties, or per occupant (as that term is defined by the Secretary) for any contents related to the premises occupied in the case of any other properties; and

(2) any flood insurance coverage which may be made available in excess of any of the limits specified in subparagraph (A), (B), or (C) of paragraph (1) (or allocated to any person under subparagraph (B)

of such paragraph) shall be based only on chargeable premium rates under section 1109 which are not less than the estimated premium rates under section 1108 (a) (1), and the amount of such excess coverage shall not in any case exceed an amount which is equal to the applicable limit so specified (or allocated).

ESTIMATES OF PREMIUM RATES

SEC. 1108. (a) The Secretary is authorized to undertake and carry out such studies and investigations and receive or exchange such information as may be necessary to estimate, and shall from time to time estimate, on an area, subdivision, or other appropriate basis—

(1) the risk premium rates for flood insurance which—

(A) based on consideration of the risk involved and accepted actuarial principles, and

(B) including—

(i) the applicable operating costs and allowances set forth in the schedules prescribed under section 1112 and reflected in such rates, and

(ii) any administrative expenses (or portion of such expenses) of carrying out the flood insurance program which, in his discretion, should properly be reflected in such rates,

would be required in order to make such insurance available on an actuarial basis for any types and classes of properties for which insurance coverage is available under section 1106(a) (or is recommended to the Congress under section 1106(b));

(2) the rates, if less than the rates estimated under paragraph (1), which would be reasonable, would encourage prospective insureds to purchase flood insurance, and would be consistent with the purposes of this title; and

(3) the extent, if any, to which federally assisted or other flood protection measures initiated after the date of the enactment of this title affect such rates.

(b) In carrying out subsection (a), the Secretary shall, to the maximum extent feasible and on a reimbursement basis, utilize the services of the Department of the Army, the Department of the Interior, the Department of Agriculture, the Department of Commerce, and the Tennessee Valley Authority, and, as appropriate, other Federal departments or agencies, and for such purposes may enter into agreements or other appropriate arrangements with any persons.

(c) The Secretary shall give priority to conducting studies and investigations and making estimates under this section in those States or areas (or subdivisions thereof) which he has determined have evidenced a positive interest

in securing flood insurance coverage under the flood insurance program.

ESTABLISHMENT OF CHARGEABLE PREMIUM RATES

SEC. 1109. (a) On the basis of estimates made under section 1108 and such other information as may be necessary, the Secretary shall from time to time, after consultation with the advisory committee authorized under section 1119, appropriate representatives of the pool formed or otherwise created under section 1131, and appropriate representatives of the insurance authorities of the respective States, prescribe by regulation—

(1) chargeable premium rates for any types and classes of properties for which insurance coverage shall be available under section 1106 (at less than the estimated risk premium rates under section 1108(a)(1), where necessary), and

(2) the terms and conditions under which, and the areas (including subdivisions thereof) within which, such rates shall apply.

(b) Such rates shall, insofar as practicable, be—

(1) based on a consideration of the respective risks involved, including differences in risks due to land use measures, floodproofing, flood forecasting, and similar measures,

(2) adequate, on the basis of accepted actuarial

principles, to provide reserves for anticipated losses, or, if less than such amount, consistent with the objective of making flood insurance available where necessary at reasonable rates so as to encourage prospective insureds to purchase such insurance and with the purposes of this title, and

(3) stated so as to reflect the basis for such rates, including the differences (if any) between the estimated risk premium rates under section 1108(a)(1) and the estimated rates under section 1108(a)(2).

(c) Notwithstanding any other provision of this title, the chargeable rate with respect to any property, the construction or substantial improvement of which the Secretary determines has been started after the identification of the area in which such property is located has been published under paragraph (1) of section 1160, shall not be less than the applicable estimated risk premium rate for such area (or subdivision thereof) under section 1108(a)(1).

(d) In the event any chargeable premium rate prescribed under this section—

(1) is a rate which is not less than the applicable estimated risk premium rate under section 1108(a)(1), and

(2) includes any amount for administrative ex-

penses of carrying out the flood insurance program which have been estimated under clause (ii) of section 1108(a)(1)(B),

a sum equal to such amount shall be paid to the Secretary, and he shall deposit such sum in the National Flood Insurance Fund established under section 1111.

FINANCING

SEC. 1110. (a) All authority which was vested in the Housing and Home Finance Administrator by virtue of section 15(e) of the Federal Flood Insurance Act of 1956 (70 Stat. 1084) (pertaining to the issue of notes or other obligations to the Secretary of the Treasury), as amended by subsections (a) and (b) of section 1103 of this Act, shall be available to the Secretary for the purpose of carrying out the flood insurance program under this title; except that the total amount of notes and obligations which may be issued by the Secretary pursuant to such authority shall not exceed $150,000,000.

(b) Any funds borrowed by the Secretary under this authority shall, from time to time, be deposited in the National Flood Insurance Fund established under section 1111.

NATIONAL FLOOD INSURANCE FUND

SEC. 1111. (a) To carry out the flood insurance program authorized by this title, the Secretary is authorized to establish in the Treasury of the United States a National Flood

Insurance Fund (hereinafter referred to as the "fund") which shall be available, without fiscal year limitation—

(1) for making such payments as may, from time to time, be required under section 1134;

(2) to pay reinsurance claims under the excess loss reinsurance coverage provided under section 1135;

(3) to repay to the Secretary of the Treasury such sums as may be borrowed from him (together with interest) in accordance with the authority provided in section 1110; and

(4) for the purposes specified in subsection (d) under the conditions provided therein.

(b) The fund shall be credited with—

(1) such funds borrowed in accordance with the authority provided in section 1110 as may from time to time be deposited in the fund;

(2) premiums, fees, or other charges which may be paid or collected in connection with the excess loss reinsurance coverage provided under section 1135;

(3) such amounts as may be advanced to the fund from appropriations in order to maintain the fund in an operative condition adequate to meet its liabilities;

(4) interest which may be earned on investments of the fund pursuant to subsection (c);

(5) such sums as are required to be paid to the Secretary under section 1109 (d) ; and

(6) receipts from any other operations under this title (including premiums under the conditions specified in subsection (d) , and salvage proceeds, if any, resulting from reinsurance coverage) .

(c) If, after—

(1) all outstanding obligations of the fund have been liquidated, and

(2) any outstanding amounts which may have been advanced to the fund from appropriations authorized under section 1176 (a) (2) (B) have been credited to the appropriation from which advanced, with interest accrued at the rate prescribed under section 15 (e) of the Federal Flood Insurance Act of 1956, as in effect immediately prior to the enactment of this title,

the Secretary determines that the moneys of the fund are in excess of current needs, he may request the investment of such amounts as he deems advisable by the Secretary of the Treasury in obligations issued or guaranteed by the United States.

(d) In the event the Secretary makes a finding in accordance with the provisions of section 1140 that operation of the flood insurance program, in whole or in part, should be carried out through the facilities of the Federal Govern-

ment, the fund shall be available for all purposes incident thereto, including—

(1) costs incurred in the adjustment and payment of any claims for losses, and

(2) payment of applicable operating costs set forth in the schedules prescribed under section 1112,

for so long as the program is so carried out, and in such event any premiums paid shall be deposited by the Secretary to the credit of the fund.

OPERATING COSTS AND ALLOWANCES

SEC. 1112. (a) The Secretary shall from time to time negotiate with appropriate representatives of the insurance industry for the purpose of establishing—

(1) a current schedule of operating costs applicable both to risk-sharing insurance companies and other insurers and to insurance companies and other insurers, insurance agents and brokers, and insurance adjustment organizations participating on other than a risk-sharing basis, and

(2) a current schedule of operating allowances applicable to risk-sharing insurance companies and other insurers,

which may be payable in accordance with the provisions of chapter II, and such schedules shall from time to time be prescribed in regulations.

(b) For purposes of subsection (a)—

(1) The term "operating costs" shall (without limiting such term) include—

(A) expense reimbursements covering the direct, actual, and necessary expenses incurred in connection with selling and servicing flood insurance coverage;

(B) reasonable compensation payable for selling and servicing flood insurance coverage, or commissions or service fees paid to producers;

(C) loss adjustment expenses; and

(D) other direct, actual, and necessary expenses which the Secretary finds are incurred in connection with selling or servicing flood insurance coverage; and

(2) the term "operating allowances" shall (without limiting such term) include amounts for profit and contingencies which the Secretary finds reasonable and necessary to carry out the purposes of this title.

PAYMENT OF CLAIMS

SEC. 1113. The Secretary is authorized to prescribe regulations establishing the general method or methods by which proved and approved claims for losses may be adjusted and paid for any damage to or loss of property which is covered

by flood insurance made available under the provisions of this title.

DISSEMINATION OF FLOOD INSURANCE INFORMATION

SEC. 1114. The Secretary shall from time to time take such action as may be necessary in order to make information and data available to the public, and to any State or local agency or official, with regard to—

(1) the flood insurance program, its coverage and objectives, and

(2) estimated and chargeable flood insurance premium rates, including the basis for and differences between such rates in accordance with the provisions of section 1109.

PROHIBITION AGAINST CERTAIN DUPLICATIONS OF BENEFITS

SEC. 1115. (a) Notwithstanding the provisions of any other law, no Federal disaster assistance shall be made available to any person—

(1) for the physical loss, destruction, or damage of real or personal property, to the extent that such loss, destruction, or damage is covered by a valid claim which may be adjusted and paid under flood insurance made available under the authority of this title, or

(2) except in the situation provided for under sub-

section (b), for the physical loss, destruction, or damage of real or personal property, to the extent that such loss, destruction, or damage could have been covered by a valid claim under flood insurance which had been made available under the authority of this title, if—

(A) such loss, destruction, or damage occurred subsequent to one year following the date flood insurance was made available in the area (or subdivision thereof) in which such property or the major part thereof was located, and

(B) such property was eligible for flood insurance under this title at that date;

and in such circumstances the extent that such loss, destruction, or damage could have been covered shall be presumed (for purposes of this subsection) to be an amount not less than the maximum limit of insurable loss or damage applicable to such property in such area (or subdivision thereof), pursuant to regulations under section 1107, at the time insurance was made available in such area (or subdivision thereof).

(b) In order to assure that the provisions of subsection (a) (2) will not create undue hardship for low-income persons who might otherwise benefit from the provision of Federal disaster assistance, the Secretary shall provide by regulation for the circumstances in which the provisions of

subsection (a) (2) shall not be applicable to any such persons.

(c) For purposes of this section, "Federal disaster assistance" shall include any Federal financial assistance which may be made available to any person as a result of—

(1) a major disaster (within the meaning of that term as determined by the President pursuant to the Act entitled "An Act to authorize Federal assistance to State and local governments in major disasters, and for other purposes", as amended (42 U.S.C. 1855–1855g)),

(2) a natural disaster, as determined by the Secretary of Agriculture pursuant to section 321 of the Consolidated Farmers Home Administration Act of 1961 (7 U.S.C. 1961), or

(3) a disaster with respect to which loans may be made under section 7 (b) of the Small Business Act (15 U.S.C. 636 (b)).

(d) For purposes of section 10 of the Disaster Relief Act of 1966 (80 Stat. 1320), the term "financial assistance" shall be deemed to include any flood insurance which is made available under this title.

STATE AND LOCAL LAND USE CONTROLS

SEC. 1116. After June 30, 1970, no new flood insurance coverage shall be provided under this title in any area (or

subdivision thereof) unless an appropriate public body shall have adopted permanent land use and control measures (with effective enforcement provisions) which the Secretary finds are consistent with the comprehensive criteria for land management and use under section 1161.

PROPERTIES IN VIOLATION OF STATE AND LOCAL LAW

SEC. 1117. No new flood insurance coverage shall be provided under this title for any property which the Secretary finds has been declared by a duly constituted State or local zoning authority, or other authorized public body, to be in violation of State or local laws, regulations, or ordinances which are intended to discourage or otherwise restrict land development or occupancy in flood-prone areas.

COORDINATION WITH OTHER PROGRAMS

SEC. 1118. In carrying out this title, the Secretary shall consult with other departments and agencies of the Federal Government, and with interstate, State, and local agencies having responsibilities for flood control, flood forecasting, or flood damage prevention, in order to assure to the maximum extent practicable that the programs of such agencies and the flood insurance program authorized under this title are mutually consistent.

ADVISORY COMMITTEE

SEC. 1119. (a) The Secretary shall appoint a flood insurance advisory committee, without regard to the provisions

of title 5, United States Code, governing appointments in the competitive service, and such committee shall advise the Secretary in the preparation of any regulations prescribed in accordance with this title and with respect to policy matters arising in the administration of this title, and shall perform such other responsibilities as the Secretary may, from time to time, assign to such committee.

(b) Such committee shall consist of not more than fifteen persons and such persons shall be selected from among representatives of—

(1) the insurance industry,

(2) State and local governments,

(3) lending institutions,

(4) the homebuilding industry, and

(5) the general public.

(c) Members of the committee shall, while attending conferences or meetings thereof, be entitled to receive compensation at a rate fixed by the Secretary but not exceeding $100 per day, including traveltime, and while so serving away from their homes or regular places of business they may be allowed travel expenses, including per diem in lieu of subsistence, as is authorized under section 5703 of title 5, United States Code, for persons in the Government service employed intermittently.

INITIAL PROGRAM LIMITATION

SEC. 1120. The face amount of flood insurance coverage outstanding and in force at any one time under this title shall not exceed the sum of $2,500,000,000.

REPORT TO THE PRESIDENT

SEC. 1121. The Secretary shall include a report of operations under this title in the annual report to the President for submission to the Congress required by section 8 of the Department of Housing and Urban Development Act.

CHAPTER II—ORGANIZATION AND ADMINISTRATION OF THE FLOOD INSURANCE PROGRAM

ORGANIZATION AND ADMINISTRATION

SEC. 1130. Following such consultation with representatives of the insurance industry as may be necessary, the Secretary shall implement the flood insurance program authorized under chapter I in accordance with the provisions of part A of this chapter and, if a determination is made by him under section 1140, under part B of this chapter.

PART A—INDUSTRY PROGRAM WITH FEDERAL FINANCIAL ASSISTANCE

INDUSTRY FLOOD INSURANCE POOL

SEC. 1131. (a) The Secretary is authorized to encourage and otherwise assist any insurance companies and other insurers which meet the requirements prescribed under sub-

section (b) to form, associate, or otherwise join together in a pool—

(1) in order to provide the flood insurance coverage authorized under chapter I; and

(2) for the purpose of assuming, on such terms and conditions as may be agreed upon, such financial responsibility as will enable such companies and other insurers, with the Federal financial and other assistance available under this title, to assume a reasonable proportion of responsibility for the adjustment and payment of claims for losses under the flood insurance program.

(b) In order to promote the effective administration of the flood insurance program under this part, and to assure that the objectives of this title are furthered, the Secretary is authorized to prescribe appropriate requirements for insurance companies and other insurers participating in such pool including, but not limited to, minimum requirements for capital or surplus or assets.

AGREEMENTS WITH FLOOD INSURANCE POOL

SEC. 1132. (a) The Secretary is authorized to enter into such agreements with the pool formed or otherwise created under this part as he deems necessary to carry out the purposes of this title.

(b) Such agreements shall specify—

(1) the terms and conditions under which risk capital will be available for the adjustment and payment of claims,

(2) the terms and conditions under which the pool (and the companies and other insurers participating therein) shall participate in premiums received and profits or losses realized or sustained,

(3) the maximum amount of profit, established by the Secretary and set forth in the schedules prescribed under section 1112, which may be realized by such pool (and the companies and other insurers participating therein),

(4) the terms and conditions under which operating costs and allowances set forth in the schedules prescribed under section 1112 may be paid, and

(5) the terms and conditions under which premium equalization payments under section 1134 will be made and reinsurance claims under section 1135 will be paid.

(c) In addition, such agreements shall contain such provisions as the Secretary finds necessary to assure that—

(1) no insurance company or other insurer which meets the requirements prescribed under section 1131 (b), and which has indicated an intention to participate

in the flood insurance program on a risk-sharing basis, will be excluded from participating in the pool,

(2) the insurance companies and other insurers participating in the pool will take whatever action may be necessary to provide continuity of flood insurance coverage by the pool, and

(3) any insurance companies and other insurers, insurance agents and brokers, and insurance adjustment organizations will be permitted to cooperate with the pool as fiscal agents or otherwise, on other than a risk-sharing basis, to the maximum extent practicable.

ADJUSTMENT AND PAYMENT OF CLAIMS AND JUDICIAL REVIEW

SEC. 1133. The insurance companies and other insurers which form, associate, or otherwise join together in the pool under this part may adjust and pay all claims for proved and approved losses covered by flood insurance in accordance with the provisions of this title and, upon the disallowance by any such company or other insurer of any such claim, or upon the refusal of the claimant to accept the amount allowed upon any such claim, the claimant, within one year after the date of mailing of notice of disallowance or partial disallowance of the claim, may institute an action on such claim against such company or other insurer in the United

States district court for the district in which the insured property or the major part thereof shall have been situated, and jurisdiction is hereby conferred upon such court to hear and determine such action without regard to the amount in controversy.

PREMIUM EQUALIZATION PAYMENTS

SEC. 1134. (a) The Secretary, on such terms and conditions as he may from time to time prescribe, shall make periodic payments to the pool formed or otherwise created under section 1131, in recognition of such reductions in chargeable premium rates under section 1109 below estimated premium rates under section 1108(a)(1) as are required in order to make flood insurance available on reasonable terms and conditions.

(b) Such payments shall be based only on the aggregate amount of flood insurance retained by the pool after ceding reinsurance in accordance with the provisions of section 1135, and shall not exceed an aggregate amount in any payment period equal to the sum of the following:

(1) an amount for losses which bears the same ratio to the amount of all proved and approved claims for losses under this title during any designated period as the amount equal to the difference between—

(A) the sum of all premium payments for flood

insurance coverage in force under this title during such designated period which would have been payable during such period if all such coverage were based on estimated risk premium rates under section 1108(a)(1) (excluding any administrative expenses which may be reflected in such rates, as specified in clause (ii) of section 1108(a)(1)(B)), and

(B) the sum of the premium payments actually paid or payable for such insurance under this title during such period,

bears to the amount specified in clause (A); and

(2) subject to the terms and conditions specified in the agreements entered into with the pool under section 1132, a proportionate amount for appropriate operating costs and allowances (as set forth in the schedules prescribed under section 1112) during any designated period which bears the same ratio to the total amount of such operating costs and allowances during such period as the ratio specified in paragraph (1).

(c) Designated periods under this section and the methods for determining the sum of premiums paid or payable during such periods shall be established by the Secretary.

REINSURANCE COVERAGE

SEC. 1135. (a) The Secretary is authorized to take such action as may be necessary in order to make available, to the pool formed or otherwise created under section 1131, reinsurance for losses (due to claims for proved and approved losses covered by flood insurance) which are in excess of losses assumed by such pool in accordance with the excess loss agreement entered into under subsection (c).

(b) Such reinsurance shall be made available pursuant to contract, agreement, or any other arrangement, in consideration of such payment of a premium, fee, or other charge as the Secretary finds necessary to cover anticipated losses and other costs of providing such reinsurance.

(c) The Secretary is authorized to negotiate an excess loss agreement, from time to time, under which the amount of flood insurance retained by the pool, after ceding reinsurance, shall be adequate to further the purposes of this title, consistent with the objective of maintaining appropriate financial participation and risk sharing to the maximum extent practicable on the part of participating insurance companies and other insurers.

(d) All reinsurance claims for losses in excess of losses assumed by the pool shall be submitted on a portfolio basis by such pool in accordance with terms and conditions established by the Secretary.

PART B—GOVERNMENT PROGRAM WITH INDUSTRY ASSISTANCE

FEDERAL OPERATION OF THE PROGRAM

SEC. 1140. (a) If at any time, after consultation with representatives of the insurance industry, the Secretary determines that operation of the flood insurance program as provided under part A cannot be carried out, or that such operation, in itself, would be assisted materially by the Federal Government's assumption, in whole or in part, of the operational responsibility for flood insurance under this title (on a temporary or other basis), he shall promptly undertake any necessary arrangements to carry out the program of flood insurance authorized under chapter I through the facilities of the Federal Government, utilizing, as may be practicable for purposes of providing flood insurance coverage, insurance companies and other insurers, insurance agents and brokers, and insurance adjustment organizations, as fiscal agents of the United States.

(b) Upon making the determination referred to in subsection (a), and at least thirty days prior to implementing the program of flood insurance authorized under chapter I through the facilities of the Federal Government, the Secretary shall make a report to the Congress and such report shall—

(1) state the reasons for such determination,

(2) be supported by pertinent findings,

(3) indicate the extent to which it is anticipated that the insurance industry will be utilized in providing flood insurance coverage under the program, and

(4) contain such recommendations as the Secretary deems advisable.

ADJUSTMENT AND PAYMENT OF CLAIMS AND JUDICIAL REVIEW

SEC. 1141. In the event the program is carried out as provided in section 1140, the Secretary shall be authorized to adjust and make payment of any claims for proved and approved losses covered by flood insurance, and upon the disallowance by the Secretary of any such claim, or upon the refusal of the claimant to accept the amount allowed upon any such claim, the claimant, within one year after the date of mailing of notice of disallowance or partial disallowance by the Secretary, may institute an action against the Secretary on such claim in the United States district court for the district in which the insured property or the major part thereof shall have been situated, and jurisdiction is hereby conferred upon such court to hear and determine such action without regard to the amount in controversy.

PART C—PROVISIONS OF GENERAL APPLICABILITY

SERVICES BY INSURANCE INDUSTRY

SEC. 1145. (a) In administering the flood insurance program under this chapter, the Secretary is authorized to enter into any contracts, agreements, or other appropriate arrangements which may, from time to time, be necessary for the purpose of utilizing, on such terms and conditions as may be agreed upon, the facilities and services of any insurance companies or other insurers, insurance agents and brokers, or insurance adjustment organizations; and such contracts, agreements, or arrangements may include provision for payment of applicable operating costs and allowances for such facilities and services as set forth in the schedules prescribed under section 1112.

(b) Any such contracts, agreements, or other arrangements may be entered into without regard to the provisions of section 3709 of the Revised Statutes (41 U.S.C. 5) or any other provision of law requiring competitive bidding.

USE OF INSURANCE POOL, COMPANIES, OR OTHER PRIVATE ORGANIZATIONS FOR CERTAIN PAYMENTS

SEC. 1146. (a) In order to provide for maximum efficiency in the administration of the flood insurance program and in order to facilitate the expeditious payment of any

Federal funds under such program, the Secretary may enter into contracts with pool formed or otherwise created under section 1131, or any insurance company or other private organization, for the purpose of securing performance by such pool, company, or organization of any or all of the following responsibilities:

(1) estimating and later determining any amounts of payments to be made;

(2) receiving from the Secretary, disbursing, and accounting for funds in making such payments;

(3) making such audits of the records of any insurance company or other insurer, insurance agent or broker, or insurance adjustment organization as may be necessary to assure that proper payments are made; and

(4) otherwise assisting in such manner as the contract may provide to further the purposes of this title.

(b) Any contract with the pool or an insurance company or other private organization under this section may contain such terms and conditions as the Secretary finds necessary or appropriate for carrying out responsibilities under subsection (a), and may provide for payment of any costs which the Secretary determines are incidental to carrying out such responsibilities which are covered by the contract.

(c) Any contract entered into under subsection (a)

may be entered into without regard to section 3709 of the Revised Statutes (41 U.S.C. 5) or any other provision of law requiring competitive bidding.

(d) No contract may be entered into under this section unless the Secretary finds that the pool, company, or organization will perform its obligations under the contract efficiently and effectively, and will meet such requirements as to financial responsibility, legal authority, and other matters as he finds pertinent.

(e) (1) Any such contract may require the pool, company, or organization or any of its officers or employees certifying payments or disbursing funds pursuant to the contract, or otherwise participating in carrying out the contract, to give surety bond to the United States in such amount as the Secretary may deem appropriate.

(2) No individual designated pursuant to a contract under this section to certify payments shall, in the absence of gross negligence or intent to defraud the United States, be liable with respect to any payment certified by him under this section.

(3) No officer disbursing funds shall, in the absence of gross negligence or intent to defraud the United States, be liable with respect to any payment by him under this section if it was based upon a voucher signed by an individual desig-

nated to certify payments as provided in paragraph (2) of this subsection.

(f) Any contract entered into under this section shall be for a term of one year, and may be made automatically renewable from term to term in the absence of notice by either party of an intention to terminate at the end of the current term; except that the Secretary may terminate any such contract at any time (after reasonable notice to the pool, company, or organization involved) if he finds that the pool, company, or organization has failed substantially to carry out the contract, or is carrying out the contract in a manner inconsistent with the efficient and effective administration of the flood insurance program authorized under this title.

SETTLEMENT AND ARBITRATION

SEC. 1147. (a) The Secretary is authorized to make final settlement of any claims or demands which may arise as a result of any financial transactions which he is authorized to carry out under this chapter, and may, to assist him in making any such settlement, refer any disputes relating to such claims or demands to arbitration, with the consent of the parties concerned.

(b) Such arbitration shall be advisory in nature, and any award, decision, or recommendation which may be made shall become final only upon the approval of the Secretary.

RECORDS AND AUDITS

SEC. 1148. (a) The flood insurance pool formed or otherwise created under part A of this chapter, and any insurance company or other private organization executing any contract, agreement, or other appropriate arrangement with the Secretary under part B of this chapter or this part, shall keep such records as the Secretary shall prescribe, including records which fully disclose the total costs of the program undertaken or the services being rendered, and such other records as will facilitate an effective audit.

(b) The Secretary and the Comptroller General of the United States, or any of their duly authorized representatives, shall have access for the purpose of audit and examination to any books, documents, papers, and records of the pool and any such insurance company or other private organization that are pertinent to the costs of the program undertaken or the services being rendered.

CHAPTER III—COORDINATION OF FLOOD INSURANCE WITH LAND-MANAGEMENT PROGRAMS IN FLOOD-PRONE AREAS

IDENTIFICATION OF FLOOD-PRONE AREAS

SEC. 1160. The Secretary is authorized to consult with, receive information from, and enter into any agreements or other arrangements with the Secretaries of the Army, the Interior, Agriculture, and Commerce, the Tennessee Valley Authority, and the heads of other Federal departments or agencies, on a reimbursement basis, or with the head of any State or local agency, in order that he may—

(1) identify and publish information with respect to all flood plain areas, including coastal areas located in the United States, which have special flood hazards, within five years following the date of the enactment of this Act, and

(2) establish flood-risk zones in all such areas, and make estimates with respect to the rates of probable flood-caused loss for the various flood-risk zones for each of these areas, within fifteen years following such date.

CRITERIA FOR LAND MANAGEMENT AND USE

SEC. 1161. (a) The Secretary is authorized to carry out studies and investigations, utilizing to the maximum extent practicable the existing facilities and services of other Fed-

eral departments or agencies, and State and local governmental agencies, and any other organizations, with respect to the adequacy of State and local measures in flood-prone areas as to land management and use, flood control, flood zoning, and flood damage prevention, and may enter into any contracts, agreements, or other appropriate arrangements to carry out such authority.

(b) Such studies and investigations shall include, but not be limited to, laws, regulations, or ordinances relating to encroachments and obstructions on stream channels and floodways, the orderly development and use of flood plains of rivers or streams, floodway encroachment lines, and flood plain zoning, building codes, building permits, and subdivision or other building restrictions.

(c) On the basis of such studies and investigations, and such other information as he deems necessary, the Secretary shall from time to time develop comprehensive criteria designed to encourage, where necessary, the adoption of permanent State and local measures which, to the maximum extent feasible, will—

(1) constrict the development of land which is exposed to flood damage where appropriate,

(2) guide the development of proposed construction away from locations which are threatened by flood hazards,

(3) assist in reducing damage caused by floods, and

(4) otherwise improve the long-range land management and use of flood-prone areas,

and he shall work closely with and provide any necessary technical assistance to State, interstate, and local governmental agencies, to encourage the application of such criteria and the adoption and enforcement of such measures.

PURCHASE OF CERTAIN INSURED PROPERTIES

SEC. 1162. The Secretary may, when he determines that the public interest would be served thereby, enter into negotiations with any owner of real property or interest therein which—

(1) was located in any flood-risk area, as determined by the Secretary,

(2) was covered by flood insurance under the flood insurance program authorized under this title, and

(3) was damaged substantially beyond repair by flood while so covered,

and may purchase such property or interests therein, for subsequent transfer, by sale, lease, donation, or otherwise, to any State or local agency which enters into an agreement with the Secretary that such property shall, for a period not less than forty years following transfer, be used for only such purposes as the Secretary may, by regulation, determine to

be consistent with sound land management and use in such area.

CHAPTER IV—APPROPRIATIONS AND MISCELLANEOUS PROVISIONS

DEFINITIONS

SEC. 1170. As used in this title—

(1) the term "flood" shall have such meaning as may be prescribed in regulations of the Secretary, and may include inundation from rising waters or from the overflow of streams, rivers, or other bodies of water, or from tidal surges, abnormally high tidal water, tidal waves, tsunamis, hurricanes, or other severe storms or deluge;

(2) the terms "United States" (when used in a geographic sense) and "State" includes the several States, the District of Columbia, the territories and possessions, the Commonwealth of Puerto Rico, and the Trust Territory of the Pacific Islands;

(3) the terms "insurance company", "other insurer", and "insurance agent or broker" include any organizations and persons authorized to engage in the insurance business under the laws of any State;

(4) the term "insurance adjustment organization" includes any organizations and persons engaged in the

business of adjusting loss claims arising under insurance policies issued by any insurance company or other insurer;

(5) the term "person" includes any individual or group of individuals, corporation, partnership, association, or any other organized group of persons, including State and local governments and agencies thereof; and

(6) the term "Secretary" means the Secretary of Housing and Urban Development.

STUDIES OF OTHER NATURAL DISASTERS

SEC. 1171. (a) The Secretary is authorized to undertake such studies as may be necessary for the purpose of determining the extent to which insurance protection against earthquakes or any other natural disaster perils, other than flood, is not available from public or private sources, and the feasibility of such insurance protection being made available.

(b) Studies under this section shall be carried out, to the maximum extent practicable, with the cooperation of other Federal departments and agencies and State and local agencies, and the Secretary is authorized to consult with, receive information from, and enter into any necessary agreements or other arrangements with such other Federal departments and agencies (on a reimbursement basis) and such State and local agencies.

PAYMENTS

SEC. 1172. Any payments under this title may be made (after necessary adjustment on account of previously made underpayments or overpayments) in advance or by way of reimbursement, and in such installments and on such conditions, as the Secretary may determine.

GOVERNMENT CORPORATION CONTROL ACT

SEC. 1173. The provisions of the Government Corporation Control Act shall apply to the program authorized under this title to the same extent as they apply to wholly owned Government corporations.

FINALITY OF CERTAIN FINANCIAL TRANSACTIONS

SEC. 1174. Notwithstanding the provisions of any other law—

(1) any financial transaction authorized to be carried out under this title, and

(2) any payment authorized to be made or to be received in connection with any such financial transaction,

shall be final and conclusive upon all officers of the Government.

ADMINISTRATIVE EXPENSES

SEC. 1175. Any administrative expenses which may be sustained by the Federal Government in carrying out the

flood insurance program authorized under this title may be paid out of appropriated funds.

APPROPRIATIONS

SEC. 1176. (a) There are hereby authorized to be appropriated such sums as may from time to time be necessary to carry out this title, including sums—

(1) to cover administrative expenses authorized under section 1175;

(2) to reimburse the National Flood Insurance Fund established under section 1111 for—

(A) premium equalization payments under section 1134 which have been made from such fund; and

(B) reinsurance claims paid under the excess loss reinsurance coverage provided under section 1135; and

(3) to make such other payments as may be necessary to carry out the purposes of this title.

(b) All such funds shall be available without fiscal year limitation.

TITLE XII—MORTGAGE INSURANCE FOR NONPROFIT HOSPITALS

AMENDMENT TO NATIONAL HOUSING ACT

SEC. 1201. Title II of the National Housing Act is amended by adding at the end thereof (after the new section added by section 307 of this Act) the following new section:

"MORTGAGE INSURANCE FOR NONPROFIT HOSPITALS

"SEC. 242. (a) The purpose of this section is to assist the provision of urgently needed hospitals for the care and treatment of persons who are acutely ill or who otherwise require medical care and related services of the kind customarily furnished only (or most effectively) by hospitals.

"(b) For the purposes of this section—

"(1) the term 'hospital' means a facility—

"(A) which provides community service for inpatient medical care of the sick or injured (including obstetrical care);

"(B) not more than 50 per centum of the total patient days of which during any year are customar-

ily assignable to the categories of chronic convalescent and rest, drug and alcoholic, epileptic, mentally deficient, mental, nervous and mental, and tuberculosis; and

"(C) which is owned and operated by one or more nonprofit corporations or associations no part of the net earnings of which inures, or may lawfully inure, to the benefit of any private shareholder or individual; and

"(2) the terms 'mortgage' and 'mortgagor' shall have the meanings respectively set forth in section 207 (a) of this Act, except that the mortgage, by the same instrument or by a separate instrument, may create a security interest in initial equipment, whether or not attached to the realty.

"(c) The Secretary is authorized to insure any mortgage (including advances on such mortgage during construction) in accordance with the provisions of this section upon such terms and conditions as he may prescribe and to make commitments for insurance of such mortgage prior to the date of its execution or disbursement thereon.

"(d) In order to carry out the purpose of this section, the Secretary is authorized to insure any mortgage which covers a new or rehabilitated hospital, including equipment

to be used in its operation, subject to the following conditions:

"(1) The mortgage shall be executed by a mortgagor approved by the Secretary. The Secretary may in his discretion require any such mortgagor to be regulated or restricted as to charges and methods of financing, and, in addition thereto, if the mortgagor is a corporate entity, as to capital structure and rate of return. As an aid to the regulation or restriction of any mortgagor with respect to any of the foregoing matters, the Secretary may make such contracts with and acquire for not to exceed $100 such stock or interest in such mortgagor as he may deem necessary. Any stock or interest so purchased shall be paid for out of the General Insurance Fund, and shall be redeemed by the mortgagor at par upon the termination of all obligations of the Secretary under the insurance.

"(2) The mortgage shall involve a principal obligation in an amount not to exceed $25,000,000, and not to exceed 90 per centum of the estimated replacement cost of the property or project, including equipment to be used in the operation of the hospital, when the proposed improvements are completed and the equipment is installed.

"(3) The mortgage shall—

"(A) provide for complete amortization by periodic payments within such term as the Secretary shall prescribe, and

"(B) bear interest (exclusive of premium charges for insurance and service charges, if any) at not to exceed such per centum per annum (not in excess of 6 per centum), on the amount of the principal obligation outstanding at any time, as the Secretary finds necessary to meet the mortgage market.

"(4) The Secretary shall not insure any mortgage under this section unless he has received, from the State agency designated in accordance with section 604(a)(1) of the Public Health Service Act for the State in which is located the hospital covered by the mortgage, a certification that (1) there is a need for such hospital, and (2) there are in force in such State or the political subdivision of the State in which the proposed hospital would be located reasonable minimum standards of licensure and methods of operation for hospitals. No such mortgage shall be insured under this section unless the Secretary has received such assurance as he may deem satisfactory from the State agency that such standards will be applied and enforced with respect to any hospital located in the State for which mortgage insurance is provided under this section.

"(e) The Secretary may consent to the release of a part

or parts of the mortgaged property or project from the lien of any mortgage insured under this section upon such terms and conditions as he may prescribe.

"(f) The activities and functions provided for in this section shall be carried out by the agencies involved so as to encourage programs that undertake responsibility to provide comprehensive health care, including outpatient and preventive care, as well as hospitalization, to a defined population.

"(g) The provisions of subsections (d), (e), (g), (h), (i), (j), (k), (l), and (n) of section 207 shall apply to mortgages insured under this section and all references therein to section 207 shall be deemed to refer to this section."

LABOR STANDARDS

SEC. 1202. Section 212(a) of the National Housing Act is amended by inserting after the fifth sentence the following new sentence: "The provisions of this section shall also apply to the insurance of any mortgage under section 242, except that compliance with such provisions may be waived by the Secretary in cases or classes of cases where laborers or mechanics, not otherwise employed at any time on the project, voluntarily donate their services without compensation for the purpose of lowering the costs of construction and the Secretary determines that any amounts thereby

saved are fully credited to the nonprofit corporation or association undertaking the construction; and each laborer or mechanic employed on any facility covered by a mortgage insured under section 242 shall receive compensation at a rate not less than one and one-half times his basic rate of pay for all hours worked in any workweek in excess of eight hours in any workday or forty hours in the workweek, as the case may be."

TITLE XIII—HOUSING GOALS AND ANNUAL HOUSING REPORT

REAFFIRMATION OF GOAL

SEC. 1301. The Congress finds that the supply of the Nation's housing is not increasing rapidly enough to meet the national housing goal, established in the Housing Act of 1949, of the "realization as soon as feasible of the goal of a decent home and a suitable living environment for every American family". The Congress reaffirms this national housing goal and determines that it should be met within the next decade by the construction or rehabilitation of twenty-six million housing units, six million of these for low and moderate income families

ANNUAL HOUSING REPORT

SEC. 1302. The Secretary of Housing and Urban Development shall annually submit to the President and to the Council of Economic Advisers in time to provide basic

material for the Economic Report of the President a report of (1) his estimate of the number of standard housing units produced through new construction and rehabilitation, private and public, in the preceding year, (2) his estimate of the number of such units produced for low and moderate income families, (3) his assessment of whether the ten-year housing goal set forth above is being met, (4) his recommendation of the current annual goal to meet the ten-year goal, and (5) his recommendations of the legislative and administrative actions necessary to achieve the ten-year goal.

TITLE XIV—MISCELLANEOUS

MODEL CITIES

SEC. 1401. (a) Section 111 (a) of the Demonstration Cities and Metropolitan Development Act of 1966 is amended—

(1) by striking out "and" the second time it appears; and

(2) by inserting before the period at the end thereof ", and not to exceed $12,000,000 for the fiscal year ending June 30, 1969".

(b) Section 111 (b) of such Act is amended—

(1) by striking out "and" the third time it appears; and

(2) by inserting before the period at the end thereof

", and not to exceed $1,000,000,000 for the fiscal year ending June 30, 1970".

(c) Section 111 (c) of such Act is amended to read as follows:

"(c) Any amounts appropriated under this section shall remain available until expended, and any amounts authorized for any fiscal year under this section but not appropriated may be appropriated for any succeeding fiscal year commencing prior to July 1, 1970."

URBAN RENEWAL DEMONSTRATION GRANT PROGRAM

SEC. 1402. (a) Section 314 (a) of the Housing Act of 1954 is amended—

(1) by striking out in the first sentence "to public bodies, including cities and other political subdivisions," and inserting in lieu thereof "to public bodies (including cities and other political subdivisions) and nonprofit organizations,";

(2) by inserting after the first sentence the following: "In the case of any such grant to a nonprofit organization, the Secretary shall require that the assisted activities and undertakings are not inconsistent with the program of the local public agency."; and

(3) by striking out in the second sentence "No such grant shall exceed two-thirds of the cost, as determined

or estimated by said Secretary, of such activities or undertakings," and inserting in lieu thereof the following: "No such grant shall exceed 90 per centum of the cost, as determined or estimated by the Secretary, of the assisted activities or undertakings,".

(b) Section 314 (c) of such Act is amended by striking out "$10,000,000" and inserting in lieu thereof "$20,000,000".

AUTHORIZATION FOR URBAN INFORMATION AND TECHNICAL ASSISTANCE SERVICES PROGRAM

SEC. 1403. (a) The first sentence of section 906 of the Demonstration Cities and Metropolitan Development Act of 1966 is amended by striking out "and not to exceed $5,000,000 for the fiscal year ending June 30, 1968" and inserting in lieu thereof "not to exceed $5,000,000 for each of the fiscal years 1968 and 1969, and not to exceed $15,000,000 for fiscal year 1970".

(b) The second sentence of section 906 of such Act is amended to read as follows: "Any amounts appropriated under this section shall remain available until expended, and any amounts authorized for any fiscal year under this section but not appropriated may be appropriated for any succeeding fiscal year commencing prior to July 1, 1970."

ADVANCES IN TECHNOLOGY IN HOUSING AND URBAN DEVELOPMENT

SEC. 1404. (a) Section 1010(d) of the Demonstration Cities and Metropolitan Development Act of 1966 is amended by inserting before the period at the end of the first sentence the following: ", which amounts shall be increased in subsequent fiscal years by such sums as may be necessary".

(b) Section 1010(c) of such Act is amended by striking out "two years" in the second sentence and inserting in lieu thereof "three years".

COLLEGE HOUSING

SEC. 1405. (a) The heading of section 401 of the Housing Act of 1950 is amended by striking out "LOANS" and inserting in lieu thereof "ASSISTANCE IN THE FORM OF LOANS OR ANNUAL GRANTS".

(b) Section 401(a) of such Act is amended to read as follows:

"(a) To assist educational institutions in providing housing and other educational facilities for students and faculties, the Secretary may make loans of funds to such institutions for the construction or purchase of such facilities or may, as an alternative to all or part of the loan (in the case of any such institution), make annual grants to the institution to reduce the cost of its borrowing from other

sources for such construction or purchase: *Provided,* That no such assistance shall be provided unless (1) the educational institution involved is unable to secure the necessary funds for the construction or purchase from other sources upon terms and conditions equally as favorable as the terms and conditions applicable to loans under this title, and (2) the Secretary finds that any such construction will be undertaken in an economical manner, and that any such facilities are not or will not be of elaborate or extravagant design or materials."

(c) Section 401 (c) of such Act is amended—

(1) by inserting "(1)" after "(c)";

(2) by striking out "of (1)" and "or (2)" and inserting in lieu thereof "of (A)" and "or (B)", respectively; and

(3) by adding at the end thereof the following new paragraph:

"(2) Annual grants to an educational institution with respect to any housing or other educational facilities shall be made over a fixed period not exceeding 40 years, and provision for such grants shall be embodied in a contract guaranteeing their payment over such period. Each such grant shall be in an amount equal to the difference between (A) the average annual debt service which would be required to be paid, during the life of the loan, on the amount bor-

rowed from other sources for the construction of such facilities, and (B) the average annual debt service which the institution would have been required to pay, during the life of the loan, with respect to such amounts if the applicable interest rate were the rate specified in paragraph (1): *Provided,* That the amount on which such grant is based shall be approved by the Secretary but in no event shall exceed the total development cost of the facilities."

(d) Section 401 (d) of such Act is amended by inserting "(1)" after "(d)", and by adding at the end thereof the following new paragraph:

"(2) There are hereby authorized to be appropriated to the Secretary such sums as may be necessary, together with loan principal and interest payments made by educational institutions assisted with loans made hereunder, for payments on notes or other obligations issued by the Secretary under this section."

(e) Section 401 (f) of such Act is amended to read as follows:

"(f) (1) There are hereby authorized to be appropriated to the Secretary such sums as may be necessary for the payment of annual grants to educational institutions in accordance with this section.

"(2) Contracts for annual grants under this section shall not be entered into in an aggregate amount greater than is

authorized in appropriation Acts; and in any event the total amount of annual grants which may be paid to educational institutions in any year pursuant to contracts entered into under this section shall not exceed $10,000,000, which amount shall be increased by $10,000,000 on July 1, 1969."

(f) Section 403 of such Act is amended by striking out "the funds provided for in this title in the form of loans" and inserting in lieu thereof "the amount of the funds provided for in this title in the form of loans, and not more than 12½ per centum of the funds provided for in this title for grants,".

(g) (1) Section 401 (g) of such Act is amended to read as follows:

"(g) Except as otherwise provided in the second paragraph of section 404 (b), in the case of any loan which is made under this section to a nonprofit student housing cooperative corporation referred to in clause (5) of section 404 (b), or which is obtained from other sources by such a corporation and is the subject of a contract for annual grants entered into under this section, the Secretary shall require that the note securing such loan be cosigned by the educational institution (referred to in clause (1) of such section) at which such corporation is located, and that, in the event of the dissolution of such corporation, title to the housing

constructed with such loan will vest in such educational institution."

(2) Clause (3) (B) of section 404 (b) of such Act is amended by striking out "of any loan secured under this title" and inserting in lieu thereof the following: "of any loan which is made under section 401, or is the subject of a contract for annual grants entered into under section 401,".

(3) Clause (4) of section 404 (b) of such Act is amended by striking out "to obtain loans" and inserting in lieu thereof "to obtain loans or grants".

(4) The second paragraph of section 404 (b) of such Act is amended by inserting after "clause (5) of this subsection," the following: "and in the case of any loan which is obtained from other sources by such a corporation and is the subject of a contract for annual grants entered into under section 401,".

(h) Section 404 (c) of such Act is amended by inserting before the period at the end thereof the following: "; except that in the case of the purchase of facilities such term means the cost as approved by the Secretary".

HOUSING FOR THE ELDERLY

SEC. 1406. (a) Section 202 (a) of the Housing Act of 1959 is amended—

(1) by inserting in paragraph (1) after "corporations," the following: "limited profit sponsors,";

(2) by inserting in paragraph (2) after "(as defined in subsection (d) (2)),"" the following: "to any limited profit sponsor approved by the Secretary,"; and

(3) by inserting in paragraph (3) after "Secretary" the following: ", except that in the case of other than a corporation, consumer cooperative, or public body or agency the amount of the loan shall not exceed 90 per centum of the development cost".

(b) Section 202(c)(3) of such Act is amended by striking out "full".

FEDERAL-STATE TRAINING PROGRAMS

SEC. 1407. (a) Title VIII of the Housing Act of 1964 is amended—

(1) by inserting after "urban centers," in section 801(b) the following: "and with business firms and associations, labor unions, and other interested associations and organizations,";

(2) by striking out "technical and professional people" in sections 801(b)(1) and 802(a)(1) and inserting in lieu thereof "technical, professional, and other persons with the capacity to master and employ such skills"; and

(3) by inserting after "which has responsibility for community development" in sections 801(b)(1) and 802(a)(1) the following: ", or by a private non-

profit organization which is conducting or has responsibility for housing and community development programs".

(b) Section 805 of such Act is amended by inserting "Guam, American Samoa, the Trust Territory of the Pacific Islands," after "the Commonwealth of Puerto Rico,".

ADDITIONAL ASSISTANT SECRETARY OF HOUSING AND URBAN DEVELOPMENT

SEC. 1408. (a) The first sentence of section 4(a) of the Department of Housing and Urban Development Act is amended by striking out "five" and inserting in lieu thereof "six".

(b) Paragraph (87) of section 5315 of title 5, United States Code, is amended by striking out "(4)" and inserting in lieu thereof "(6)".

INTERNATIONAL HOUSING

SEC. 1409. Section 604 of the Housing Act of 1957 is amended to read as follows:

"SEC. 604. (a) The Secretary of Housing and Urban Development may exchange data relating to housing and urban planning and development with other nations and assemble such data from other nations, through participation in international conferences and other means, where such exchange or assembly is deemed by him to be beneficial in carrying out his responsibilities under the Department of

Housing and Urban Development Act or other legislation. In carrying out his responsibilities under this subsection the Secretary may—

"(1) pay the expenses of participation in activities conducted under authority of this section including, but not limited to, the compensation, travel expenses, and per diem in lieu of subsistence of persons serving in an advisory capacity while away from their homes or regular places of business in connection with attendance at international meetings and conferences, or other travel for the purpose of exchange or assembly of data relating to housing and urban planning and development; but such travel expenses shall not exceed those authorized for regular officers and employees traveling in connection with said activities; and

"(2) accept from international organizations, foreign countries, and private nonprofit foundations, funds, services, facilities, materials, and other donations to be utilized jointly in carrying out activities under this section.

"(b) International programs and activities carried out by the Secretary under the authority provided in subsection (a) shall be subject to the approval of the Secretary of State for the purpose of assuring that such authority shall

be exercised in a manner consistent with the foreign policy of the United States."

LOW-RENT PUBLIC HOUSING—CORPORATE STATUS

SEC. 1410. (a) The first sentence of section 3 of the United States Housing Act of 1937 is amended by striking out "a body corporate of perpetual duration to be known as".

(b) Section 17 of such Act is repealed. The capital stock referred to in such section shall be retired, and the sum of $1,000,000 represented by such stock shall be returned to the Treasury of the United States.

(c) Such Act is amended by inserting after section 16 a new section 17 as follows:

"SEC. 17. In the performance of, and with respect to, his functions, powers, and duties under this Act, the Secretary shall have (in addition to any authority otherwise vested in him) the functions, powers, and duties set forth in subsections (a), (b), and (e) of section 402 of the Housing Act of 1950."

(d) Section 101 of the Government Corporation Control Act is amended by striking out "United States Housing Authority and including public housing projects financed through appropriated funds and operations thereof;".

ELIGIBILITY FOR RENT SUPPLEMENT PAYMENTS

SEC. 1411. Notwithstanding any other provision of law respecting the date after which a mortgage must have been

approved for mortgage insurance under section 221 (d) (3) of the National Housing Act, the Secretary of Housing and Urban Development is authorized to make, and contract to make, rent supplement payments under the provisions of section 101 of the Housing and Urban Development Act of 1965 to the owners of the housing projects known as the 114th Street rehabilitation project and the 114th Street rehabilitation project numbered 2, in New York City, New York (project numbers 012–33501 and 012–33512).

CONSOLIDATION OF LOW-RENT PUBLIC HOUSING PROJECTS IN THE DISTRICT OF COLUMBIA

SEC. 1412. All projects now operated and maintained by the National Capital Housing Authority pursuant to title I of the District of Columbia Alley Dwelling Act are deemed to be low-rent housing projects and may be consolidated, pursuant to section 15 (6) of the United States Housing Act of 1937, into any contract for annual contributions covering projects maintained and operated pursuant to title II of the District of Columbia Alley Dwelling Act.

URBAN RENEWAL PROJECT IN GARDEN CITY, MICHIGAN

SEC. 1413. Notwithstanding the date of commencement of construction of the Florence Primary School in Garden City, Michigan, local expenditures made in connection with such school shall, to the extent otherwise eligible, be counted

as a local grant-in-aid toward the Cherry Hill urban renewal project (Mich. R–46) for purposes of title I of the Housing Act of 1949.

URBAN RENEWAL PROJECT IN SACRAMENTO, CALIFORNIA

SEC. 1414. Notwithstanding the date of commencement of construction of the storm drainage system in the Capitol Mall Riverfront urban renewal project (Calif. R–67) in Sacramento, California, local expenditures made in connection with such storm drainage system located in that project shall, to the extent otherwise eligible, be counted as a local grant-in-aid toward that project for purposes of title I of the Housing Act of 1949.

SELF-HELP STUDIES

SEC. 1415. (a) Section 207 of the Housing Act of 1961 is amended by inserting after the words "improved means" the following: ", including the study of self-help in the construction, rehabilitation, and maintenance of housing for low-income persons and families and the methods of selecting, involving, and directing such persons and families in self-help activities,".

(b) The Secretary of Housing and Urban Development shall make a report to the Congress, within one year after the date of enactment of this Act, setting forth the results of the self-help studies and demonstrations carried out under

section 207 of the Housing Act of 1961, together with such recommendations as he deems appropriate.

EARTHQUAKE STUDY

SEC. 1416. Section 5 of the Southeast Hurricane Disaster Relief Act of 1965 is amended by striking out "three years after the appropriation of funds for this study" and inserting in lieu thereof "June 30, 1969".

HOME OWNERS' LOAN ACT OF 1933

SEC. 1417. (a) Section 5(b) of the Home Owners' Loan Act of 1933 is amended to read as follows:

"(b) (1) An association may raise capital in the form of such savings deposits, shares, or other accounts, for fixed, minimum, or indefinite periods of time (all of which are referred to in this section as savings accounts and all of which shall have the same priority upon liquidation) as are authorized by its charter or by regulations of the Board, and may issue such passbooks, time certificates of deposit, or other evidence of savings accounts as are so authorized. Holders of savings accounts and obligors of an association shall, to such extent as may be provided by its charter or by regulations of the Board, be members of the association, and shall have such voting rights and such other rights as are thereby provided. Except as may be otherwise authorized by the association's charter or regulation of the Board in the case of savings

accounts for fixed or minimum terms of not less than thirty days, the payment of any savings account shall be subject to the right of the association to require such advance notice, not less than thirty days, as shall be provided for by the charter of the association or the regulations of the Board. The payment of withdrawals from savings accounts in the event an association does not pay all withdrawals in full (subject to the right of the association to require notice) shall be subject to such rules and procedures as may be prescribed by the association's charter or by regulation of the Board, but any association which, except as authorized in writing by the Board, fails to make full payment of any withdrawal when due shall be deemed to be in an unsafe or unsound condition to transact business within the meaning of subsection (d) of this section. Savings accounts shall not be subject to check or to withdrawal or transfer on negotiable or transferable order or authorization to the association, but the Board may by regulation provide for withdrawal or transfer of savings accounts upon nontransferable order or authorization.

"(2) To such extent as the Board may authorize by regulation or advice in writing, an association may borrow, may give security, and may issue such notes, bonds, debentures, or other obligations, or other securities (except capital stock) as the Board may so authorize."

(b) Section 5(c) of the Home Owners' Loan Act of 1933 is amended—

(1) by striking out "shares" in the first sentence and inserting in lieu thereof "savings accounts or securities"; and

(2) by inserting after the first semicolon in the second proviso the following words: "or in time deposits, certificates, or accounts of any bank the deposits of which are insured by the Federal Deposit Insurance Corporation;".

(c) Section 5(c) of such Act is amended by adding immediately after the second paragraph thereof the following new paragraph:

"Without regard to any other provision of this subsection, any such association may make and invest in any loan not exceeding $5,000—

"(A) for the repair, equipping, alteration, or improvement of any real property, including the construction of new structures related to residential use of the property, or

"(B) for the purpose of mobile home financing, subject to such prohibitions, limitations, and conditions as the Board may by regulation prescribe."

(d) Section 5(c) of such Act is amended by adding at the end thereof a new paragraph as follows:

"Any such association may invest in loans, or interests in loans secured by loans, obligations, or investments in which it has any statutory authority to invest directly."

FEDERAL HOME LOAN BANK ACT

SEC. 1418. Section 12 of the Federal Home Loan Bank Act, as amended (12 U.S.C. 1432), is amended by inserting "(a)" after "SEC. 12.", and by adding at the end thereof a new subsection as follows:

"(b) Subject to such regulations as may be prescribed by the Board, one or more Federal home loans banks may acquire, hold, or dispose of, in whole or in part, or facilitate such acquisition, holding, or disposition by members of any such bank of, housing project loans, or interests therein, having the benefit of any guaranty under section 221 of the Foreign Assistance Act of 1961, as now or hereafter in effect, or loans, or interests therein, having the benefit of any guaranty under section 224 of such Act, or any commitment or agreement with respect to such loans, or interests therein, made pursuant to either of such sections."

TECHNICAL AMENDMENTS

SEC. 1419. (a) Section 110(c) of the Housing Act of 1949 is amended by striking out "paragraphs (7), (8), and (9)" in the second unnumbered paragraph following the numbered paragraphs and inserting in lieu thereof "paragraphs (7), (8), (9), and (10)".

(b) Section 110(d) of the Housing Act of 1949 is amended by striking out "clauses (2), (3)" and inserting in lieu thereof "clauses (2), (3), (7)".

(c) Section 110(e) of the Housing Act of 1949 is amended by striking out "and (9)" in clause (i) and inserting in lieu thereof "(9), and (10)".

(d) Section 1101(c)(3) of the National Housing Act is amended by inserting "from the beginning of amortization of the mortgage" immediately after "twenty-five years".

(e) Section 213(o) of the National Housing Act is amended by adding at the end thereof four new sentences as follows: "Moneys in the Cooperative Management Housing Insurance Fund not needed for current operations of the fund shall be deposited with the Treasurer of the United States to the credit of the Cooperative Management Housing Insurance Fund or invested in bonds or other obligations of, or in bonds or other obligations guaranteed as to principal and interest by, the United States. The Secretary may, with the approval of the Secretary of the Treasury, purchase in the open market debentures which are the obligations of the Cooperative Management Housing Insurance Fund. Such purchases shall be made at a price which will provide an investment yield of not less than the yield obtainable from other investments authorized by this sub-

section. Debentures so purchased shall be canceled and not reissued."

(f) Section 810(e) of the National Housing Act is amended—

(1) by striking out "private corporation, association, cooperative society, or trust" in the first sentence and inserting in lieu thereof "mortgagor approved by the Secretary", and

(2) by striking out "corporation, association, cooperative society, or trust" in the third and fourth sentences and inserting in lieu thereof "mortgagor".

(g) Section 220(d)(2)(B) of the National Housing Act is amended by striking out "corporations restricted by" and inserting in lieu thereof "corporations or other legal entities restricted by or under".

Union Calendar No. 636

90TH CONGRESS
2D SESSION

H. R. 17989

[Report No. 1585]

A BILL

To assist in the provision of housing for low and moderate income families, and to extend and amend laws relating to housing and urban development.

By Mr. PATMAN, Mr. BARRETT, Mrs. SULLIVAN, Mr. REUSS, Mr. ASHLEY, Mr. MOORHEAD, Mr. ST GERMAIN, Mr. GONZALEZ, Mr. MINISH, Mr. HANNA, Mr. ANNUNZIO, Mr. REES, Mr. WOLFF, Mr. HALPERN, Mr. FRIEDEL, and Mr. PEPPER

JUNE 19, 1968

Referred to the Committee on Banking and Currency

JUNE 25, 1968

Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

4865, amended, to establish a system of nationwide trails; and S. 6, amended, authorization to operate, construct, and maintain the first stage of the Oahe unit, James Division, Missouri River Basin project, S. Dak. p. D614

9. HIGHWAYS. The "Daily Digest" states the Rules Committee "granted an open rule ...on H. R. 17134, the 1970-71 highway construction authorization." p. D614

10. HOUSING. The "Daily Digest" states the Rules Committee "granted an open rule ...on H. R. 17989, to assist in the provision of housing for low- and moderate-income families, and to extend and amend laws relating to housing and urban development." p. D614

11. DEFENSE PRODUCTION. Concurred in Senate amendments to H. R. 17268, to extend the Defense Production Act for two years, from June 30, 1968, to June 30, 1970, and to require the Comptroller General to formulate uniform accounting standards for all negotiated prime contract and subcontract defense procurements in excess of $100,000, including standards from which production costs and profits by individual order can be accurately determined and within 18 months of the enactment of the bill, to recommend legislation to put the uniform accounting standards into effect (p. S5715). This bill will now be sent to the President.

12. TAXATION; EXPENDITURES. Rep. Smith, Okla., explained why he voted against the revenue expenditure control bill. pp. H5788-9

13. CONSERVATION. Conferees were given until Sat., midnight, June 29, to file a report on S. 1401, to amend the Land and Water Conservation Fund Act. pp. H5719-20

14. LEGISLATIVE PROGRAM. Rep. Albert announced the legislative program for next week as follows: on Monday the National School Lunch Act bills, Cradle of Forestry, Federal employees leave for funerals of certain relatives and for National Guard duty bills and proposed Federal-Aid Highway Act of 1968. On Tuesday and the balance of the week: the Transportation Department appropriation bill and marketing orders on pears for canning or freezing bill. p. H5753

SENATE

15. APPROPRIATIONS. A subcommittee of the Appropriations Committee approved for full committee action with amendments H. R. 17023, 1969 appropriations for independent agencies and HUD. p. D610

16. OCEANOGRAPHY; WEIGHTS AND MEASURES. The Commerce Committee voted to report (but did not actually report) H. R. 13781, to authorize funds for sea-grant colleges and ocean exploration and H. R. 3136, to authorize a study on the increased use of the metric system in the U. S. p. D610

17. TRANSPORTATION. A subcommittee of the Commerce Committee approved for full committee action S. 751, to require establishment of through routes and joint rates between motor carriers and other common carriers. p. D610

18. FLOOD CONTROL; POLLUTION; HIGHWAYS; WATERSHEDS. The Public Works Committee voted to report (but did not actually report) the following: An original omnibus rivers and harbors flood control bill; S. 2525, to control pollution from vessels within navigable waters; S. 3418, 1970-71 highway authorization bill (reconsidered and approved with additional amendments); and several watershed projects. p. D611

EXTENSION OF REMARKS

19. 4-H CLUBS. Rep. Giaimo inserted an article on 4-H activities in the city. p. E5889

20. HOUSING. Rep. Culver inserted an editorial supporting proposed housing bill. p. E5890

Rep. Rooney, Pa., inserted HUD Secretary Weaver's speech explaining provisions of the proposed housing bill. pp. E5905-6

21. FEDERAL AID. Rep. Ashbrook praised Rep. Roth's study on federal aid. p. E5891

22. EMPLOYMENT. Rep. Wolff inserted an article on a Long Island Company's effort to fight poverty by training youths for jobs. p. E5895

23. TAXATION. Several Reps. praised and others opposed the revenue-expenditure control package. pp. E5896, E5925, E5929-30, E5952-4, E5911-2, E5935-6, E5968-9

24. NATIONAL PARK. Rep. Cohelan and Rep. Ottingen inserted articles supporting a National Redwood Park. pp. E5900-1, E5954-5

25. HUNGER. Rep. Gathings inserted an editorial critical of CBS' documentary on hunger. p. E5912

26. TRAINING; FARMING. Rep. Jones, N. C., spoke in favor of vocational agriculture. p. E5914

27. FARM INCOME. Rep. Zwach inserted an editorial on lack of "growth" in agricultural sector. p. E5921

28. FOREIGN AID. Rep. Hanna inserted an article showing the need and the opportunity for private resources to invest in our foreign aid program. pp. E5956-7

29. ELECTRIFICATION. Rep. O'Konski inserted resolutions of the Wisc. Electric Cooperative suggesting programs which result in continued growth of rural electric cooperatives. p. E5907

BILLS INTRODUCED

30. LANDS. H. R. 18210 by Rep. Randall, to regulate the granting of permits for private use of publicly owned lands within the District of Columbia; to District of Columbia Committee. Remarks of author p. H5782

H. R. 18211 by Rep. Randall, to regulate the granting of permits for private

Late Reports: Granted permission for the Committees on Appropriations, Interstate and Foreign Commerce, and Rules to file reports by midnight, June 28.

Pages H 5725, H 5742, H 5745

Fish—Wildlife: Agreed to Senate amendment to H.R. 15979, regarding injury to fish and wildlife by pesticides and other poisons, thus clearing the bill for Presidential action. Page H 5742

D.C. Revenue: Granted permission that it be in order on Tuesday or Wednesday under general rules of the House to consider the D.C. revenue bill. Page H 5745

Gas Pipeline: The House began general debate on S. 1166, to authorize the Secretary of Transportation to prescribe safety standards for the transportation of natural and other gas by pipeline, and having come to no resolution thereon the Committee arose. (On a unanimous-consent request agreed to 30 minutes of remaining debate time.) Pages H 5742–H 5752

Private Calendar: Agreed that H.R. 16187, a private bill, would be passed over on call of the Private Calendar on Tuesday, July 2, 1968. Page H 5753

Receive and Sign: Granted permission for the Clerk to receive messages from the Senate and the Speaker to sign enrolled bills. Page H 5753

Calendar Wednesday: Dispensed with Calendar Wednesday business of Wednesday, July 3, 1968.

Page H 5753

Legislative Program: The majority leader announced the legislative program for the week of July 1–July 6. Agreed to adjournment from Thursday to Monday.

Page H 5753

Quorum Call—Record Vote: One quorum call and one record vote developed during the proceedings of the House and appear on pages H5719 and H5741.

Program for Monday: Adjourned at 6:17 p.m. until Monday, July 1, 1968, at 12 o'clock noon, when the House will call the Consent Calendar and consider the following bills under suspension of the rules:

H.R. 17872, to amend the National School Lunch Act;

H.R. 17873, to amend the National School Lunch Act;

S. 2837, to establish the Cradle of Forestry in America, Pisgah National Forest, N.C.;

H.R. 15714, to extend operating life of certain inland vessels; and

H.R. 13844, Federal employees leave for funerals of certain relatives and for National Guard duty.

Also consider H.R. 17134, Federal-aid Highway Act of 1968 (open rule, 3 hours of debate, waiving points of order).

Committee Meetings

WHEAT ALLOTMENTS

Committee on Agriculture: Subcommittee on Livestock and Grains held a hearing on H.R. 10591 and H.R. 10685, adjustment of certain wheat allotments. Testimony was heard from USDA and public witnesses. Statements for the record were submitted by Representatives May and Skubitz.

TRANSPORTATION APPROPRIATION

Committee on Appropriations: Met in executive session and ordered reported to the House the Department of Transportation appropriation bill.

MILITARY PROCUREMENT AUTHORIZATION

Committee on Armed Services: Met in executive session and completed hearing testimony on S. 3293, 1969 military procurement authorization. Testimony was heard from Air Force witnesses.

FEDERAL RESERVE ACT

Committee on Banking and Currency: Continued hearings on H.R. 16092, extends for 1 year Federal Reserve Act more flexible regulations. Testimony was heard from J. L. Robertson, Governor, Federal Reserve Board of Governors.

HIGHER EDUCATION—AGING—GALLAUDET

Committee on Education and Labor: Met in executive session and continued markup of H.R. 15067, higher education amendments. No announcements were made.

Select Subcommittee on Education met in executive session and approved for full committee action a clean bill in lieu of H.R. 16802, to increase the number of Gallaudet College Directors, and a clean bill in lieu of H.J. Res. 1271, White House Conference on Aging.

MILITARY EXPORTS—ETHIOPIA

Committee on Foreign Affairs: Met in executive session and continued consideration of H.R. 15681, consolidate and revise foreign assistance legislation relating to reimbursable military exports. No announcements were made.

Subcommittee on Africa met in executive session with Haregot Abbai, the Lord Mayor of Asmara, Ethiopia.

MILITARY SUPPLY SYSTEMS

Committee on Government Operations: Subcommittee on Military Operations continued hearings on military supply systems. Testimony was heard from Navy and Air Force witnesses.

ANNOUNCEMENTS—AGRICULTURAL COOPS—CORPORATIONS

Committee on Interstate and Foreign Commerce: The Subcommittee on Transportation and Aeronautics will hold public hearings on H.R. 6530 and S. 752, relating to agricultural co-op exemptions, on Monday, July 1, at 10 a.m., in room 2123 Rayburn House Office Building.

The Subcommittee on Commerce and Finance will hold public hearings on H.R. 14475 and S. 510, relating

to corporate equity ownership of securities, on Monday, July 1, at 10 a.m., in room 2322 Rayburn House Office Building.

NATIONAL PARKS

Committee on Interior and Insular Affairs: Met in executive session and ordered reported to the House a clean bill in lieu of H.R. 8416, to establish a system of national scenic rivers; ordered reported to the House H.R. 9362, amended, Mountain Park reclamation project; ordered reported to the House H.R. 4865, amended, to establish a system of nationwide trails; and ordered reported to the House S. 6, amended, authorization to operate, construct, and maintain the first stage of the Oahe unit, James Division, Missouri River Basin project, South Dakota.

STATE TECHNICAL SERVICES ACT

Committee on Interstate and Foreign Commerce: Met in executive session and ordered reported to the House H.R. 16824, amended, extends for an additional year the authorization of appropriations under the State Technical Services Act of 1965.

ANNOUNCEMENT—
MILITARY SUPPLY SYSTEMS

Committee on Government Operations: Subcommittee on Military Operations has postponed its public hearing on military supply systems scheduled for Friday, June 28; the subcommittee will resume hearings on Monday, July 1, and continue on Tuesday, July 2.

COPYRIGHT—PENDING BUSINESS—
CLAIMS

Committee on the Judiciary: Subcommittee No. 3 met in executive session and approved for full committee action S.J. Res. 172, extends copyright terms.

Subcommittee No. 1 met in executive session and considered pending business. No announcements were made.

Subcommittee No. 2 met in executive session and acted on several private claims bills.

FISH PROTEIN—ALEWIFE—ANADROMOUS
FISHING RESOURCES

Committee on Merchant Marine and Fisheries: Subcommittee on Merchant Marine held hearings on H.R. 15490, development of fish protein concentrate; H.R. 15490, H.R. 11556, and H.R. 14228, Great Lakes alewife control or elimination; and H.R. 14228, relating to the conservation and enhancement of the Nation's anadromous fishing resources. Testimony was heard from Representatives Zablocki, Byrnes, and Vander Jagt, and departmental and public witnesses.

INVASION OF PRIVACY—MORALE PROBLEMS

Committee on Post Office and Civil Service: Subcommittee on Manpower and Civil Service continued hearings on S. 1035, relating to invasion of privacy of Federal employees. Testimony was heard from Frank Wozencraft, Assistant Attorney General, Department of Justice.

Subcommittee on Postal Operations continued hearings on morale problems in the postal service. Testimony was heard from Richard J. Murphy, Assistant Postmaster General.

RIVERS, HARBORS, AND FLOOD CONTROL

Committee on Public Works: Subcommittee on Rivers and Harbors continued hearings on items to be included in the omnibus rivers, harbors, and flood control bill. Testimony was heard from Corps of Engineers witnesses.

HIGHWAY AUTHORIZATION

Committee on Rules: Granted an open rule, with 3 hours of debate, waiving points of order, on H.R. 17134, the 1970–71 highway construction authorization.

Testimony was heard on the request for a rule from Representatives Fallon, Kluczynski, Cramer, Wright, McCarthy, and Frazier.

FOREIGN SERVICE RETIREMENT

Committee on Rules: Granted an open rule, with 1 hour of debate, on H.R. 16903, to provide certain increases in annuities payable from the Foreign Service Retirement and Disability Fund.

Testimony was heard on the request to grant a rule from Representatives Hays, Adair, Dent, and Gross.

COLLECTIVE BARGAINING

Committee on Rules: Granted an open rule, with 1 hour of debate, on H.R. 15198, to permit employer contributions for joint industry promotion of products in certain instances or a joint committee or joint board empowered to interpret provisions of collective bargaining agreements.

Testimony was heard on the request to grant a rule from Representative Perkins.

HOUSING

Committee on Rules: Granted an open rule, with 4 hours of debate, waiving points of order, on H.R. 17989, to assist in the provision of housing for low- and moderate-income families, and to extend and amend laws relating to housing and urban development.

Testimony was heard on the request to grant a rule from Representatives Patman, Barrett, Widnall, and Williams.

CRIME

Committee on Rules: Ordered reported favorably to the House H.J. Res. 1, Joint Committee To Investigate Crime.

Testimony on the measure was heard from Representatives Boggs and McCulloch.

House July 1, 1968

water and sewer grants prior to completion of a comprehensive plan, increase the amount of unsold insured loans that may be made out of the fund, raise the aggregate annual limits on grants, and remove the annual ceiling on insured loans; and H. R. 17752, to provide indemnity payments to dairy farmers. p. D626

9. CONSERVATION. Received the conference report on S. 1401, to amend title I of the Land and Water Conservation Fund Act of 1965 (H. Rept. 1598). p. H5881

10. HEALTH. The Rules Committee reported a resolution for the consideration of H. R. 15758, to amend the Public Health Service Act, to extend and improve regional medical programs, to extend the authorization of grants for health of migratory agricultural workers, and to provide for specialized facilities for alcoholics and narcotic addicts. p. H5882

11. HOUSING. The Rules Committee reported a resolution for the consideration of H. R. 17989, to assist in the provision of housing for low- and moderate-income families, and to extend and amend laws relating to housing and urban development. p. H5882

Rep. Widnall inserted his supplemental views on the housing bill. pp. H5856-8

Rep. St. Germain commended the housing bill and inserted a supporting editorial. pp. H5879-80

12. TECHNICAL SERVICES. The Interstate and Foreign Commerce Committee reported with amendment H. R. 16824, to extend for an additional year the authorization of appropriations under the State Technical Services Act of 1965 (H. Rept. 1607). p. H5882

13. FARM PROGRAM. Rep. Madden spoke against extending farm subsidies through 1970 and inserted a letter from the American Farmer Bureau Federation urging the defeat of H. R. 17126, the farm bill. p. H5856

SENATE

14. WATER RESOURCES. The Interior and Insular Affairs Committee reported without amendment S. 3575, to authorize the Secretary of the Interior to engage in feasibility investigations of certain water resource developments (S. Rept. 1347). p. S7953

15. RECREATION. The Interior and Insular Affairs Committee reported with amendment H. R. 9098, to revise the boundaries of the Badlands National Monument in the State of S. Dak., to authorize exchange of land mutually beneficial to the Oglala Sioux Tribe and the United States (S. Rept. 1349). p. S7953

Passed with amendments S. 827, to establish a nationwide system of trails (pp. S7961-71). Agreed to committee amendments en bloc (p. S7964). Agreed to Sen. Symington's amendment to include the Potomac Heritage Trail in Va. between Great Falls Park and Spout Run to be developed and maintained primarily as a footpath (p. S7964).

16. APPROPRIATIONS. The Appropriations Committee reported with amendments H.R. 18038, the legislative branch appropriation bill, 1969 (S. Rept. 1350). p. S7953

17. HIGHWAYS. Passed with amendments S. 3418, to authorize appropriations for the fiscal years 1970-71 for the construction of certain highways in accordance with title 23 of the United States Code (pp. S8015-44, S8053-4, S8056-63). Agreed to committee amendments en bloc (p. S8042). Agreed to Sen. Jackson's amendment that in highway construction an effort be made to preserve the natural beauty of the countryside, public parks, and recreation lands, wildlife refuges, and historic sites (p. S8042). Agreed to Sen. Spong's amendments to make it possible for the District of Columbia to participate in a relocation assistance and land acquisition program (p. S8044) and to allow the District of Columbia to transfer certain land to Interior in exchange or as replacement for park, parkway, and playground lands transferred to the District for public purposes (p. S8044).

18. FLOOD CONTROL. Began consideration of S. 3710, to authorize the construction, repair, and preservation of certain public works on rivers and harbors for navigation, flood control, and for other purposes. pp. S8063-4

19. WILDERNESS. The Interior and Insular Affairs Committee voted to report (but did not actually report) the following wilderness bills: S. 4739, to authorize the Secretary of the Interior to grant long term leases with respect to lands in the El Portal administrative site adjacent to Yosemite National Park, Calif., S. 1385, to amend section 3 of the "Act to provide for the disposal of materials on the public lands of the United States" relating to the disposition by Interior of moneys obtained from the sale of materials from public lands, S. 3379, to designate certain lands in the Great Swamp National Wildlife Refuge, Morris Co., N. J., as wilderness, S. 3343, to designate certain lands in the Pelican Island National Wildlife Refuge, Indian River Co., Fla., as wilderness, and S. 3502, to designate certain lands in the Seney, Huron Islands, and Michigan Islands National Wildlife Refuges in Mich., the Gravel Island and Green Bay National Wildlife Refuges in Wisc., and the Moosehorn National Wildlife Refuge in Maine, as wilderness. pp. D624-5

20. TRADE. Sen. Hansen expressed concern over "America's increasingly unfavorable balance of trade" and inserted supporting articles. pp. S7991-2

21. RADIATION. Sen. Hart inserted Sen. Bartlett's statement outlining his proposed amendments to the proposed Radiation Control Act of 1968. pp. S7994-5

22. TOBACCO. Sen. Moss expressed pleasure at the report that people are "decreasing their use of tobacco." pp. S8011-13

23. GRAPES. Sen. Murphy was appalled at reports that New York City government has entered into a secondary boycott by New York City retail grocery chain stores against the use of Calif. table grapes and inserted related articles. p. S8064

90TH CONGRESS } HOUSE OF REPRESENTATIVES { REPORT
2d Session } { No. 1603

CONSIDERATION OF H.R. 17989

JUNE 28, 1968.—Referred to the House Calendar and ordered to be printed

Mr. MADDEN, from the Committee on Rules,
submitted the following

REPORT

[To accompany H. Res. 1238]

The Committee on Rules, having had under consideration House Resolution 1238, reports the same to the House with the recommendation that the resolution do pass.

O

85-008

House Calendar No. 279

90TH CONGRESS
2D SESSION

H. RES. 1238

[Report No. 1603]

IN THE HOUSE OF REPRESENTATIVES

JUNE 28, 1968

Mr. MADDEN, from the Committee on Rules, reported the following resolution; which was referred to the House Calendar and ordered to be printed

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RESOLUTION

Resolved, That upon the adoption of this resolution it shall be in order to move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H.R. 17989) to assist in the provision of housing for low and moderate income families, and to extend and amend laws relating to housing and urban development, and all points of order against said bill are hereby waived. After general debate, which shall be confined to the bill and shall continue not to exceed four hours, to be equally divided and controlled by the chairman and ranking minority member of the Committee on Banking and Currency, the bill shall be read for amendment under

the five-minute rule by titles instead of by sections. At the conclusion of the consideration of the bill for amendment, the Committee shall rise and report the bill to the House with such amendments as may have been adopted, and the previous question shall be considered as ordered on the bill and amendments thereto to final passage without intervening motion except one motion to recommit. After the passage of H.R. 17989, the Committee on Banking and Currency shall be discharged from the further consideration of the bill S. 3497, and it shall then be in order in the House to move to strike out all after the enacting clause of S. 3497 and insert in lieu thereof the provisions contained in H.R. 17989 as passed by the House.

House Calendar No. 279

90TH CONGRESS
2D SESSION

H. RES. 1238

[Report No. 1603]

RESOLUTION

Providing for consideration of H.R. 17989 to assist in the provision of housing for low and moderate income families, and to extend and amend laws relating to housing and urban development.

By Mr. MADDEN

JUNE 28, 1968

Referred to the House Calendar and ordered to be printed

the consideration of the Natural Gas Pipeline Safety Act, to be followed by a return to and hopefully the finishing of the Federal-Aid Highway Act of 1968. That in turn is to be followed by the Department of Transportation Appropriation Act and the District of Columbia Revenue Act. Beyond that there are no changes in the program for the week as of this time.

Mr. GERALD R. FORD. The latter two bills probably would come up on Wednesday.

Mr. ALBERT. Probably.

Mr. GERALD R. FORD. Is there a conference report?

Mr. ALBERT. There is a conference report on an appropriation act tomorrow. I appreciate the gentleman reminding me of that.

HOUR OF MEETING TOMORROW

Mr. ALBERT. Mr. Speaker, I ask unanimous consent that when the House adjourns today it adjourn to meet at 11 o'clock tomorrow.

The SPEAKER. Is there objection to the request of the gentleman from Oklahoma.

There was no objection.

CORRECTION OF THE RECORD

Mr. O'KONSKI. Mr. Speaker, on rollcall No. 219, I am recorded as not voting. I was present and voted "yea." I ask unanimous consent that the permanent RECORD be corrected accordingly.

The SPEAKER. Is there objection to the request of the gentleman from Wisconsin?

There was no objection.

PRESIDENT JOHNSON URGES NEW INITIATIVES TO EXPLORE NUCLEAR MISSILE DISARMAMENT

Mr. ALBERT. Mr. Speaker, President Johnson is firmly on record in pursuing new accords with the Soviet Union to bring the arms race under control. He has, on numerous occasions, urged discussions on limiting nuclear missile offensive and defensive systems. In recent days, the Soviet Union has indicated that it is interested in pursuing such discussions. And today, in ceremonies at the White House which marked the signing of the Nuclear Nonproliferation Treaty, President Johnson announced that we would soon be meeting with the Soviets on this urgent matter.

I think we would all agree that the President's persistence and determination to end the nuclear arms race could conceivably result in a dramatic breakthrough if talks between the United States and the Soviet Union on reducing missile systems result in an agreement.

As the President said today, there is a long and difficult road ahead. But the fact that the two superpowers are ready and willing to talk about ways to end the senseless race toward more and more destructive weapons is a most significant development. With proper guarantees and safeguards, a new agreement with the Soviets to reduce these costly and dangerous missile systems will be a boon to both nations and offer new encouragement to others in the world who also want to disarm.

FROM WHERE I STAND

(Mr. BRINKLEY asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. BRINKLEY. Mr. Speaker, from where I stand I can see the four words inscribed above the point at which you preside over this House of Representatives. Formed by golden metallic letters fastened upon marble; supported by four 12-foot-tall pillars; capping the flag of the United States of America draped between the inner pillars; they read, "In God We Trust."

Long ago, at the Constitutional Convention in 1787, Delegate Benjamin Franklin set the example for this country when he said:

> I have lived a long time, and the longer I live the more convincing proofs I see of this truth—that God governs in the affairs of man. And if a sparrow cannot fall to the ground without His notice, is it probable that an empire can rise without His aid?

Is it likely that a Nation can continue without His guidance?

President Lincoln must have asked this question and sought that guidance. So was his leadership shaped:

> Let reverence for the laws be breathed by the American mother to the lisping babe that prattles on her lap; let it be taught in school, seminaries, and in colleges; let it be written in primers, spelling books, and in almanacs; let it be preached from the pulpit, proclaimed in legislative halls, and enforced in courts of justice. And, in short, let it become the political religion of the nation; and let the old and the young, the rich and the poor, the grave and the gay of all sexes and tongues and colors and conditions, sacrifice unceasingly upon its altars.

Yet on June 27, 1968, the Washington Post printed a letter in which the writer accused the Post Office Department of serious error in issuing a postage stamp with a slogan "Law and Order" and a picture of a policeman. The writer stated that the phrase had become a bigot's code word.

Justice Holmes once said that words are skins of living thoughts, changeable from time to time and from person to person. But basic values never change.

The basic value expressed by those metallic letters, Mr. Speaker.

The basic value expressed by that postage stamp.

It has been well said that dissent is loud and gratitude is quiet. May I quietly express my gratitude to the people of this great country for the privilege of serving them. The people—with lives and attitudes reflecting those basic values—still the anchor of these United States on this Fourth of July.

Mr. Speaker, may the inscription above you be a light unto our country's path.

FEDERAL REGISTRATION OF FIREARMS?

(Mr. DORN asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. DORN. Mr. Speaker, this Congress should not be stampeded through hysteria and emotionalism into passing strong Federal control of firearms.

I oppose any law passed here in Washington forcing the citizens of our country to register with the Federal Government their firearms for defense of their homes and their hunting guns. I am against the Federal Government passing any legislation requiring a citizen to obtain a permit from Washington before a gun can be purchased for the defense of his home or for outdoor sports.

Communist and Fascist dictatorships require the registration of firearms. The old kings and crown princes of Europe did not permit the people to own firearms or to hunt on the "king's land." The Founding Fathers of our country in creating a free nation wrote into the Constitution the right to bear arms. We must preserve this right of free people.

I do believe State laws requiring some gun regulation are necessary and desirable. When purchasing a firearm in Virginia where I live, a person is required by Virginia law to wait 3 days before going back to the store to pick up his gun. This is a good State law because it prevents someone who might be mad, temporarily insane, under the influence, or with a criminal record, from immediately buying a gun. This type of legislation should be considered at the local and State level. Federal registration of guns and Federal permits to own firearms will only harass and burden the good citizens. The criminal and the assassin will get a gun through the bootleg route. A Federal law will encourage illegal bootleg traffic in guns, which could make the situation worse.

The principal responsibility for law enforcement and law and order should be in the hands of local and State law-enforcement authorities. The Federal Government could assist these local and State authorities with equipment, technology, training, and with the very efficient FBI.

Our law-enforcement officials should have better salaries, equipment, and training to cope with the present crime wave. Mr. Speaker, we should never, however, through hysteria and emotionalism, create a Federal police state. This is the road of no return.

I do favor Federal laws which would prevent guns from being shipped across State lines to minors, the mentally ill, or those with criminal records. I do favor a Federal law outlawing the shipment of bazookas, antitank guns, machineguns, grenades, and high explosives across State lines to unauthorized persons.

SECRETARY UDALL MESSAGE TO UNIVERSITY OF DENVER GRADUATES

(Mr. ROGERS of Colorado asked and was given permission to address the House for 1 minute and to include extraneous matter.)

Mr. ROGERS of Colorado. Mr. Speaker, Secretary of Interior Stewart Udall was recently scheduled to speak at the June commencement of my alma mater, the University of Denver. Senator Kennedy's tragic death prevented Mr. Udall from going to Denver. He sent, by wire, the following eloquent remarks, which Chancellor Maurice B. Mitchell read to the graduates.

I include these inspiring words in the RECORD, as I think they have value for us all during these difficult times:

MESSAGE FROM STEWART UDALL

(Read by Chancellor Maurice B. Mitchell of University of Denver at Commencement on June 7, 1968)

If ever there was a time I would like to be with young people, it is now. If ever there was a moment when youth—in a world it did not make—requires an encouragement of its energies and talents and capacities to remake the world, it is now. If ever there was a time when tragedy must yield to hope and reason, instead of despair and frustration, it is now.

I can not be with you because Robert F. Kennedy was a man I loved and whose professional and personal life I shared. I had to be with his family.

One searches for words on an occasion when rhetoric itself is totally inadequate. The opening words of Dickens' A Tale of Two Cities have more appropriateness and poignancy than any I could frame: "It was the best of times, it was the worst of time, it was the age of wisdom, it was the age of foolishness, it was the epoch of belief, it was the epoch of incredulity, it was the season of Light, it was the season of Darkness, it was the spring of Hope, it was the winter of Despair; we had everything before us, we had nothing before us, we were all going direct to Heaven, we were all going direct the other way."

But these words—as any words—can only frame a question. The answer which must be the ultimate victory of reason over madness is for you—and all youth—to provide. This is increasingly your world—both by the strength of your numbers and the power of your concern and commtiment.

There is an end to a man's life; there need to be no end to the things he stood for and aspired for all men, everywhere. Those things—to which John F. Kennedy and Martin Luther King and Robert F. Kennedy dedicated their careers, and for which they gave their lives, are in your hands. The power to create is greater than the power to destroy. Indeed, that power is in your hands—and hearts.

FARM SUBSIDY RAID ON U.S. TAXPAYER

(Mr. MADDEN asked and was given permission to address the House for 1 minute, to revise and extend his remarks, and to include extraneous matter.)

Mr. MADDEN. Mr. Speaker, the Agriculture Committee of the House of Representatives presented H.R. 17126, a bill to extend the Food and Agriculture Act of 1965 for 1 year.

Although the pending bill has a year and a half before it expires on December 31, 1969, the recipients of annual subsidies to thousands of farmers and farm corporations all over the Nation are pressuring the Congress for another year continuance of this "boondoggle," so that it can carry through the year 1970.

Evidently these recipients of a "guaranteed annual income" from the American taxpayers are afraid the next Congress will toss this $3.5 billion subsidy bill in the "legislative wastebasket."

A month ago, the Rules Committee failed to report the legislation to the floor of the House, but on June 18 it was reported for consideration on the floor of the House. Evidently the sponsors are planning on passing this bill in the closing days of the session when, by reason of absentees and confusion in the final hours they might succeed in passing the same and extending the farm subsidy through 1970. Every Member should be on the alert against this contingency.

I am herewith enclosing with my remarks a letter received from Mr. Charles B. Shuman, president of the American Farm Bureau Federation. The same speaks for itself.

AMERICAN FARMER BUREAU FEDERATION,
Washington, D.C., June 25, 1968.

Hon. RAY J. MADDEN,
U.S. House of Representatives,
Washington, D.C.

DEAR CONGRESSMAN MADDEN: The House of Representatives will soon consider H.R. 17126, a bill to extend the Food and Agriculture Act of 1965 for one year—to December 31, 1970.

Passage of this bill would be unnecessary and unwise.

It is unnecessary to act in 1968. The present legislation does not expire until December 31, 1969. Rejection of this bill would permit Congress to develop an alternative program next year.

It is unwise to act because the Act of 1965 is a failure. It has failed:

To stabilize the food costs of consumers.

To expand farmers' export and domestic markets.

To improve—or even maintain—the incomes of farm families.

The farm parity ratio stood at 81 when the Act of 1965 became effective. Now when we are less than half-way through the third year of the program, it stands at 73. Farmers want something better than to be locked into the present low-price situation. And, while farmers have suffered a drop in their prices, the federal government's costs for wheat, feed grain, and cotton programs have steadily increased and now total over $3 billion annually.

With Congress having passed a 10-percent tax increase and a requirement that the President reduce budgeted expenditures $6 billion in the next fiscal year, it is incredible that Congress would even consider extending legislation which has proved to be so costly and ineffective.

We respectfully urge you to vote against H.R. 17126.

Sincerely yours,

CHARLES B. SHUMAN,
President.

THE OMNIBUS HOUSING BILL CONTAINS MANY PROPOSALS SPONSORED BY THE MINORITY

(Mr. WIDNALL asked and was given permission to address the House for 1 minute, to revise and extend his remarks, and to include extraneous matter.)

Mr. WIDNALL. Mr. Speaker, the Housing and Urban Development Act of 1968 has been voted out of the House Banking and Currency Committee and granted a rule for floor action in the near future. As I stated in my supplemental views to the committee report, I am not unaware that reasonable men may differ over certain provisions, or that new or old programs deserve careful scrutiny and constructive criticism.

I do believe, however, that the bill contains a great deal that is good and useful, and that it has benefited greatly from the ideas of the minority. There is a new emphasis on homeownership for lower-income families, improvement in the rent certificate or leased public housing program, a tightening of provisions requiring residential urban renewal to serve the housing needs of low- and moderate-income Americans, increased authorizations for the water and sewer program which is of benefit to every congressional district in the country, and renewed efforts at establishing an effective flood insurance program. All of these provisions reflect original efforts on the party of the minority, as does the recognition by the committee of the need to cut through the redtape and bureaucratic delays that so often accompany attempts to utilize existing programs.

To describe some of these efforts, I would like to include at this point my supplemental views to the committee report. I would also urge every Member of this body to carefully study the majority and minority views in House Report No. 1585. The bill, H.R. 17989, as well as the report, is of considerable size. It represents a major undertaking and, despite its length and complexity, should have the fullest consideration that can be achieved in an informed debate.

My supplemental views follow:

SUPPLEMENTAL VIEWS OF REPRESENTATIVE WILLIAM B. WIDNALL TO BANKING AND CURRENCY COMMITTEE REPORT ON HOUSING ACT OF 1968

In supporting H.R. 17989, I am not unmindful of the fact that reasonable men may differ over certain provisions, or that new programs authorized or old ones extended by the measure are open to constructive criticism relating to conception and execution. On balance, however, I believe the bill is both necessary and worthwhile. It has benefited from ideas and proposals offered by the minority, and I think it is appropriate to call particular attention to this fact.

Foremost among these minority suggestions has been the concept of fostering on a major scale homeownership among low- and moderate-income citizens. Homeownership as a desirable goal is an idea deeply rooted in American tradition. For the low- and moderate-income citizen, particularly the minority group citizen, this has become increasingly the impossible dream. Statistics show that the percentage of existing one-family homes insured by FHA for families with incomes less than $4,000 fell from 42.8 percent of the total in 1950 to 1.3 percent in 1966. For new homes, the drop was from 56 percent to 1 percent in the same period.

In order to reverse this trend, I introduced H.R. 8820, the National Home Ownership Foundation Act on April 20, 1967. One hundred thirteen other House Members, including eight members of the minority of the Banking and Currency Committee, joined in offering a similar bill at that time.

The proposal had as its basic goals the enlargement of housing opportunities and choice for our lower income families, both rural and urban. We proposed to tap private caiptal, private management and technical experience, and private, community-oriented initiative. The Government role was to be limited to one of stimulus and reinforcement, rather than execution and control.

FEATURES OF THE NHOF BILL

The National Home Ownership Foundation Act proposal, besides its basic change in policy advocating homeownership in contrast

to traditional federally assisted renter-oriented projects, contained a number of innovative features. In summary they were as follows:

1. The establishment of the National Home Ownership Foundation, a congressionally authorized nonprofit corporation, with a board of directors drawn from the private sector. Besides making mortgage capital available, the Foundation was to conduct a technical assistance service to aid in the development and formation of low- and moderate-income homeownership program, including interim planning loans, and the conduct of supporting programs in such fields as training, employment, credit counseling, and budget management to enable lower income families to assume the privileges and responsibilities of homeownership.

2. Authority to the Foundation to raise $2 billion in mortgage loan funds through the sale of its debentures, guaranteed by the Federal Government to supplement available moneys from existing mortgage lending institutions. The object was to bring together in one coordinated effort, and one pool of funds, sufficient capital to carry out a major lower income homeownership program. It was expected that the federally guaranteed bonds, carrying a market rate of return, would attract new capital, for the mortgage market, from such sources as union pension funds.

3. A market-interest rate mortgage, with a direct subsidy paid by the Treasury to the holder of the mortgage, thus lowering the interest rate and monthly payments for the home buyer. The purpose was to avoid the major budget impact that accompanies the use of the below-market-interest rate mortgage program involving Federal National Mortgage Association purchase of these mortgages utilizing special assistance funds. Thus, each Federal dollar would have a multiplier effect many times greater than the BMIR mortgage purchase dollar, a major accomplishment in a time of expenditure curtailment. The interest subsidy would be repaid into a revolving fund, if and as the buyer reached an adequate income level, prescribed as 70 percent of existing 221 (d) (3) program income limits.

4. Maximum utilization of community-based or neighborhood non profit corporations, including technical assistance for their development and operation of lower income homeownership programs. This would also provide an opportunity for the prospective home buyers in the area to have a voice in the conduct of the program. It would also enlist the aid, expertise, and financial backing of local community leaders in Government, business, labor, civic organizations, the professions and the like, to build a partnership within the private sector at the national and local levels.

5. Authority to develop a program of mortgage equity payment insurance, to protect the home buyer from losses of income due to illness, death, unemployment, and other causes not within the home buyer's control. To the greatest extend possible, the Foundation was directed to work out the program with the private insurance industry, and report back to Congress.

6. Utilization of the urban renewal program as a means of obtaining land and buildings at reasonable prices to lower the cost of construction, rehabilitation, or the use of existing housing for the homeownership program.

7. Increase employment opportunities and the use of self-help for area low-income residents and prospective home buyers.

SIMILARITIES WITH THE PRESENT BILL

Although the Department of Housing and Urban Development greeted the NHOF proposal last year with skepticism both for its technical provisions and its goal of lower income homeownership, sufficient support from a variety of groups and individuals within the American public appear to have changed the administration's mind. The cumulative result can be seen in H.R. 17989. In summary, the similarities between the committee bill and the proposal outlined above are as follows:

1. The committee bill establishes, in title I, section 107, a National Home Ownership Foundation. Its purposes follow those suggested for the technical assistance service under the minority's NHOF bill of last year. The Foundation is directed to encourage and assist public and private bodies at the national, community, and neighborhood levels in initiating, developing, and conducting programs to expand low-income homeownership and housing opportunities. This includes arrangements for technical and managerial assistance and training, aid in finding mortgage financing, insurance, and the like, encouraging research and innovation, collecting and distributing information, and assistance in expanding job opportunities.

The Foundation may make loans or grants to cover organizational or administrative expenses for homeownership programs, necessary preconstruction costs including land options, architectural fees, and similar items, and the costs of providing counseling to lower income families in budget management, home maintenance, and home management. The bill authorizes $10 million in appropriations.

2. The committee bill, in title VII, authorizes the new Government National Mortgage Association to guarantee securities issued by FNMA or other private issuers, backed by a pool of FHA and VA loans or mortgages. The purpose is the same as that of the NHOF-guaranteed debentures suggested by the minority; namely, to increase the supply of mortgage funds and tap new sources such as pension funds. It is permissive only, limited in scope, the funds raised would not be limited to use for lower income homeownership. The Department, in the hearings, admitted to not knowing what amount of additional funds this approach might attract.

As a result, it is unlikely that the massive attraction of new funds for lower income homeownership envisioned by the sponsors of the National Home Ownership Foundation Act last year will occur under this bill. The FHA insurance provisions in title I also depend upon existing lenders and mortgage money supply. This makes all the more important the direction in section 107(f)(2) to the Foundation to report to the Congress whenever insufficient funding is available for lower income homeownership purposes. The Foundation is also directed to make recommendations for alternate means of securing adequate financing.

3. The committee bill, in title VIII, authorizes the establishment of a private corporation for profit which is designed to encourage a partnership approach among interests in the private sector at the national and local level, in order to encourage low-income housing. Part of the purpose of the National Home Ownership Foundation authorized by the bill is also to encourage private involvement, including the development of neighborhood organizations interested in homeownership programs, which would involve the citizens themselves from the area. Maximum utilization of area residents or the lower income families to be served by the program is not pronounced as a major goal in the committee bill, however, in contrast to the NHOF proposal last year.

5. By amendment to title I (sec. 109) offered by Representative Garry Brown, of Michigan, the minority obtained inclusion in the bill of an authorization to the Secretary of HUD to develop, in cooperation with the private insurance industry, a plan of insurance to help homeowners meet mortgage payments in times of personal economic adversity.

The Secretary is directed to report back within 6 months on his actions. This provision was secured in the bill despite the objections of the Department of Housing and Urban Development, objections which, in turn, persisted, despite the evidence that such a plan was necessary and capable of being established, and despite a favorable report in the early 1960's, commissioned by the Housing and Home Finance Agency, forerunner of HUD.

6. The committee bill, in section 405, amends the urban renewal law to permit land to be sold to qualified low-income mortgagors and nonprofit sponsors of homeownership program and, by an amendment I offered, private homebuilders acquiring land for subsequent resale to low- and moderate-income home buyers.

7. By an amendment which I offered, section 3 was added to H.R. 17989 which requires, to the greatest extent feasible, the employment of lower income residents from the area served not only by homeownership activity but other federally assisted housing projects as well, in jobs created by these projects. The possibility of the home buyer contributing his own labor toward the cost of his housing has also been recognized in section 2 and in title I.

CAN HUD CARRY OUT THE PROGRAM?

One of the purposes behind establishing the National Home Ownership Foundation in the minds of its cosponsors last year, was to provide a quasi-public alternative to direct Federal bureaucratic control by the Department of Housing and Urban Development. The sponsors of the NHOF bill were not alone in questioning the capacity or will of the Department to carry out an expanded program of housing for low-income citizens. This presents a considerable challenge to the Department, in carrying out the proposals authorized in H.R. 17989.

While the Department's testimony before our committee has been reassuring, the continued opposition of HUD to my 1966 amendment requiring a substantial number of low- and moderate-income housing in each predominently residential urban renewal project has had the opposite effect. As the committee report notes, the definition of substantial as only 20 percent of the project units is hardly in keeping with the dramatic need for more and better housing for our underprivileged citizens. The change contemplated by section 413 of this bill increases this percentage to 51 or better for the aggregate number of units in approved projects within a community; that is, projects which have had their plans approved by the Department, not those which are only in the planning stage. The new amendment, worked out in conjunction with Representative Henry Reuss, of Wisconsin, as a bipartisan statement of congressional intent, also contains a 20-percent minimum aggregate for low-income housing suggested by Representative William Brock, of Tennessee. It is perhaps the best example I know of in the bill of bipartisan, congressional initiative in the legislative field. Certainly, all of the other low-cost housing programs will come to naught if land or structures are not assembled and made available at low cost, which is is the major benefit of urban renewal use.

Two other amendments which I offered and which have been accepted in title I deserve mention, if only because of the opposition by HUD to their inclusion. The first opens the homeownership sections up to utilization of existing housing, as well as housing involving new construction or substantial rehabilitation. A survey made by my office among District of Columbia real estate agencies indicated the availability of houses selling for under $18,000 and needing little repair, if any. It also uncovered the potential availability of many more renter-occupied houses, which would come on the mar-

ket if these very same renters had access to mortgage funds. Negro real estate brokers were particularly conscious of this opportunity. The use of existing housing will also mean, as the U.S. Civil Rights Commission has pointed out, the immediate implementation of the new homeownership program. Certainly in this time of tension and trouble within our cities, any tool that can provide an immediate impact, and thus new hope to the less fortunate, should be welcomed. Will the Department of Housing and Urban Development heed this opportunity? Only time will tell.

Another amendment makes nonprofit groups eligible for inclusion in the program for homeownership financing that wish to use existing housing instead of taking on the task of rehabilitation in a multiunit project. It is my expectation that as these nonprofit groups, whether church or labor union, or civic association sponsors, gain in confidence and experience, they will move on to the more demanding but no less important task of increasing the supply of standard housing for homeownership purposes.

THE RENT CERTIFICATE PROGRAM

In 1964, I, with other members of the Republican minority introduced the rent certificate plan. It became legislation in 1965, and has since made a great record for something that was opposed by the administration and generally not promoted by them. To date, it has far outstripped its companion legislation, rent supplements, in terms of people housed, having provided shelter for over 16,000 families while the rent supplement total is just over 2,500. This means that the rent certificate program is responsible for placing over 60,000 people in decent, safe, and sanitary housing that they did not have previously.

In the present bill there are three sections, 208, 209, and 210 which are perfecting amendments that I introduced to facilitate the operation of the program.

Where the Secretary had previously restricted the program in certain localities to rehabilitated housing, on the completely unjustified claim that it would cause rents to rise, section 208 makes clear that he can no longer impose such regulations unless it is specifically so provided in the act.

Where HUD had taken the position that it could not use the program unless in quantities of 10 or more units, section 209 makes clear that it can.

In section 210, we have acted to enable tenants to become purchasers of the homes they occupy through the medium of the local housing authority. This innovation was prompted by spontaneous offers from builders in all parts of the country, attracted by the economics of the operation, to build for leasing purposes.

Now where the housing authority deems it advisable, it may include in its lease an option to purchase to be exercised when desirable in behalf of the tenant.

This latter provision could be used even in multi-family structures where tenants, so desiring to act, occupy units having more than 80 percent of the total value of the structure.

WATER AND SEWER GRANTS

Section 505 ups the matching sewer and water grants from $200 million annually to $500 million annually. I do not particularly like to increase authorizations beyond departmental recommendations. In the case of this program, however, I am quite ready to make an exception. This is a vital program. Upon it have depended at times, the question of whether or not a city would have to import water for drinking purposes.

The administration has not only given this program a low priority. It has asked for only half the funds which Congress authorized when appearing before the Appropriations Committee. This in the face of applications from needy communities which numbered over $4 billion. There is to my knowledge not a single congressional district that does not have an application for water-and-sewer funds and many are most desperate. Under the circumstances, I think the increase I have suggested is most modest and I know it is badly needed.

NATIONAL FLOOD INSURANCE

It was with a deep sense of personal satisfaction to me that the Committee on Banking and Currency adopted my amendment, in the form of a proposed title XI, National Flood Insurance.

Members of the House will recall that the proposed national flood insurance legislation passed the House—H.R. 11197—and the Senate in 1967 but because of far-reaching changes made by a House floor amendment in the financing mechanism in the House bill efforts to resolve the differences between the House and Senate versions in conference have been abandoned. In short, prior to inclusion of title XI in H.R. 17989, most observers conceded that flood insurance legislation had little if any chance of enactment in the 90th Congress.

As an original cosponsor of a national flood insurance program, the events leading up to the current legislative statement are indeed regrettable. Within the past month, the State of New Jersey experienced its worst natural disaster of the 20th century, sustaining more than $150 million in flood damage to private and public property. Having personally witnessed the human tragedy and widescale property damage in the wake of these devastating floods, my belief in the urgency of a national flood insurance program was further sustained.

When the House last November rejected the proposed financing through Treasury borrowing authority contained in the flood insurance bill, the circumstances surrounding that action were far different than those which prevail today. I refer to title X of the proposed housing bill where the Congress is being asked to approve Treasury borrowing authority in order to finance a national program of riot reinsurance. While I support title X, I think it would be uncharacteristically inconsistent for a majority of the House of Representatives to support Treasury borrowing authority for riot insurance, while rejecting this form of financing for a national flood insurance program of far more modest proportions.

In this regard, we should keep in mind that flood insurance proposals have been before the Congress for more than 10 years, long before any thought whatsoever was being given to the need for a Federal program of riot insurance.

Stated in its most candid terms, if the Congress of the United States can see its way clear to underwrite insurance protection against lawlessness in our cities, it can ill afford to turn a cold shoulder on the personal grief and tragedy of those of our law-abiding, taxpaying citizens who experience huge property losses caused by floods, or by what are said to be "acts of God."

TREATY FOR NONPROLIFERATION OF NUCLEAR WEAPONS

(Mr. MORGAN asked and was given permission to address the House for 1 minute and to revise and extend his remarks and include extraneous matter.)

Mr. MORGAN. Mr. Speaker, this administration may well congratulate itself upon the tremendous achievement represented by the Treaty for the Nonproliferation of Nuclear Weapons. It is indeed the most significant development since the advent of nuclear power itself.

The promise it holds for the future of human association is due in no small measure to President Johnson, whose faith in such an agreement never faltered and whose encouragement and support provided a constant stimulus and inspiration over 4 long years of arduous negotiations.

The importance of the treaty lies not only in the hopeful pause it offers in the reckless race toward nuclear armament. It lies equally in its significance as an example of the ability of humankind to agree on major issues affecting its welfare. It is a tribute to reason which so often founders when the passions and the ambitions of men are stirred.

The world looks brighter today, despite the turmoil and the turbulence that besets it. The Treaty for the Nonproliferation of Nuclear Weapons has already opened the way to further progress in the stated willingness of the United States and the U.S.S.R. to examine the possibility of limitations on strategic nuclear delivery vehicles.

There is indeed reason to rejoice.

My congratulations go out to this administration and to the men whose abundant good will, skill, and patience produced this splendid new hope for the future of mankind.

THE TAX-EXEMPT FOUNDATION: A NEW MAJOR THREAT TO CLEAN POLITICS

The SPEAKER pro tempore (Mr. PATTEN). Under previous order of the House the gentleman from New York [Mr. ROONEY] is recognized for 60 minutes.

Mr. ROONEY of New York. Mr. Speaker, I want to address you briefly on what I consider to be a grave and largely unnoticed peril to the election process in this country. It has to do with one of the most delicately sensitive areas; namely, the financing of elections.

Although some Members of the Congress have an income from business or some other profession, most of us think of ourselves primarily as politicians. All of us are proud to be so designated. Like medicine and law, politics is a profession with a sacred trust.

I think virtually all Members of the Congress want fervently to keep their profession clean, to keep it ethical, to keep it closely responsive to the people, and to keep it operating within certain statutory boundaries.

And that is why I think it important to call to your attention what I have had to overcome in winning the Democratic renomination in my district. The fact that I did win does not lessen my duty to tell you about a device that was used by one of my opponents. For, if the same device is used extensievly over the country, I think it will truly endanger the democratic process by destroying the rules that now govern the financing of elections.

To put it bluntly—and I address myself personally to every Member of this Congress—unless you are a wealthy person or unless you have wealthy supporters who can help you fight back, you may find yourself in some future election being overwhelmed by a deluge of

offer our heartiest congratulations and our warm wishes on this important occasion.

NATAL GREETINGS TO THE CONGO

Mr. Speaker, the people of the Democratic Republic of the Congo celebrated the eighth anniversary of their independence on June 30. This anniversary is particularly significant, because the outlook for continuing stability and economic growth are better than they have been at any time in recent years.

Although foreign mercenary elements in the military forces attempted last summer and fall to take control of the country, the Congolese Government succeeded in forcing these mercenaries out of the country and putting down the mutiny with a minimal loss of life.

Despite this senseless threat, the Government did not waiver from its intention to go forward with the economic stabilization program, strengthen the currency, liberalize imports, and lay the groundwork for real increases in agricultural and industrial production. These increases have already shown themselves and have been reflected in an increase in exports.

With its immense resources, human and material, the Congo will surely continue to increase its importance within the family of nations and the people of the Congo will enjoy the fruits of their self-imposed austerity.

To President Mobutu and to the Government ad people of the Democratic Republic of the Congo we send our best wishes for future progress and happiness.

BIRTHDAY SALUTE TO RWANDA

Mr. Speaker, July 1 marks the sixth anniversary of the independence of the Republic of Rwanda.

The 6 years since independence was proclaimed in that nation's capital, Kigala, have been marked by continually warm relations between our two countries.

To President Kayibanda, and to the people of Rwanda, we extend our warm congratulations and very best wishes on this historic occasion.

(Mr. BOLAND asked and was given permission to extend his remarks in the body of the RECORD and to include extraneous material.)

[Mr. BOLAND'S remarks will appear hereafter in the Extensions of Remarks.]

(Mr. BOLAND asked and was given permission to extend his remarks in the body of the RECORD and to include extraneous material.)

[Mr. BOLAND'S remarks will appear hereafter in the Extensions of Remarks.]

PRESIDENT JOHNSON SIGNS UNIFORM MONDAY HOLIDAY LEGISLATION CREATING COLUMBUS DAY AS A NATIONAL HOLIDAY

(Mr. RODINO asked and was given permission to extend his remarks at this point in the RECORD and to include extraneous matter.)

Mr. RODINO. Mr. Speaker, last Friday, June 28, it was my great honor and privilege to be present when President Johnson signed into law H.R. 15951, the uniform Monday holiday bill. Present also were Senator SMATHERS, author of the bill in the Senate; Congressman MCCLORY who introduced the final version of the bill in the House and guided it through the Judiciary Committee; Congressman STRATTON, who initiated the original legislation; and Mr. Joseph A. Califano, Jr., special assistant to the President.

It was a particularly significant occasion for me, since the measure, in addition to scheduling Washington's Birthday, Memorial Day, and Veterans' Day on specified Mondays, includes a provision establishing Columbus Day as a new Federal holiday—to be celebrated on the second Monday in October.

I have sought for many years this tribute to the valiant admiral of the ocean seas, for to me he is the "father of immigration" and in observing Columbus Day as a national holiday we will be, each year, reaffirming our faith in the future and the unfailing strength and courage of the American people to face with confidence and determination the imponderables of unknown tomorrows. I was most pleased, therefore, that the President singled out for special mention the creation of this new national holiday, and I include full text of his remarks on this historic occasion be printed in the RECORD at this point:

TEXT OF REMARKS BY THE PRESIDENT ON SIGNING OF THE UNIFORM HOLIDAY BILL

The Bill that we sign today will help Americans to enjoy more fully the country that is their magnificent heritage. It will also aid the work of Government and bring new efficiency to our economy.

This Bill provides that three of our national holidays will be celebrated on Monday: Washington's Birthday on the third Monday in February; Memorial Day on the last Monday in May; and Veterans' Day on the fourth Monday in October.

The Bill take effect on January 1, 1971. State legislatures will thus have time to act for observances in local government offices and in private employment.

This will mean a great deal to our families and our children—

It will enable families who live some distance apart to spend more time together.

Americans will be able to travel farther and see more of this beautiful land of ours.

They will be able to participate in a wider range of recreational and cultural activities.

The Bill also establishes Columbus Day as a Federal holiday—to be celebrated on the second Monday in October. Thirty-four of our states have already established a day honoring Christopher Columbus. It is fitting now that we give national expression to our faith in the spirit of discovery embodied by this great adventurer. This new holiday will henceforth honor one of our finest and most cherished national characteristics—our ability to live and work together, men and women of all national origins, as one united and progressive nation.

The provisions of this Bill insure a minimum of five regularly recurring three-day weekends each year for Federal employees. The costs will be offset to an important degree by avoiding disruptions of Government business through Monday observance of holidays.

The private employer will enjoy similar gains in efficiency. The Monday holiday will stimulate greater industral and commercial production, sparing business and labor the penalty of mid-week shutdowns.

THE HOUSING BILL

(Mr. ST GERMAIN asked and was given permission to extend his remarks at this point in the RECORD and to include extraneous matter.)

Mr. ST GERMAIN. Mr. Speaker, the Housing and Urban Development Act of 1968 stands as a milestone in our Nation's long struggle to provide decent housing for every American, and I, for one, am pleased to have been privileged to be intimately engaged in the drafting of this most significant legislative measure.

The authorization of funds for the construction or rehabilitation of 1.2 million lower income housing units is one of the many outstanding provisions of this legislation. It is one of the many positive steps that can and must be taken if our Nation is to overcome social injustice and the root causes of civil disorder.

I was pleased to note that the Providence Journal has endorsed the Housing and Urban Development Act of 1968 as passed by the Senate. A similar bill will soon come before this House for consideration. Its programs are essential if we are to cope with the problems that plague our cities and abolish the shameful substandard housing that confines 20 million Americans.

I commend the Journal's editorial to all of my colleagues and include it at this point in the RECORD:

THE HOUSING BILL

The U.S. Senate has demonstrated a highly commendable awareness of the country's needs in passing, by a vote of 67 to 4, the most comprehensive housing bill of the last two decades. It has opened the way toward impressive gains in the struggle to bring decent housing within reach of every American. If the House follows an equally wise course, as it did in the case of open occupancy, the process of elimination of one major grievance of the poor will have begun.

Praise for the bill does not imply perfection. The measure by no means achieves that lofty status. No legislation could. There always will be gaps, elements of the problem emphasized or de-emphasized out of proportion to the need, pitfalls overlooked and opportunities missed. But overall, the legislation is a credit to the administration and to the Congress.

It would authorize five billion dollars over the next three years for the construction or rehabilitation of 1.2 million housing units for lower-income families. It would enable for the first time families at the lower earning levels to think in terms of owning their own homes, and large private investors profitably to ally with government in the creation of "new cities."

It would further the aims of the Model Cities, urban renewal, and mass transit programs, set up a new program to subsidize the building or renovation of rental or cooperative housing units, and establish the machinery to provide reinsurance for private companies to extend coverage of slum properties and curb losses from riots or civil disorders.

Of special note, though minor in terms of fundings, is provision for urban renewal grants to speed up small-scale neighborhood redevelopment projects.

Weaknesses of the bill include a preposterous section that would authorize the Federal Housing Administration to guarantee mortgages on vacation houses costing up to $20,000. This absurd concession to the comfortable middle class is intolerable at a time when valid programs for the poor are being bypassed under the name of "fiscal responsibility."

The most grievous inadequacy of the bill, in fact, is the lack of imaginative aid for those at the very bottom of the economic ladder. Four hundred million dollars is authorized to continue existing public housing programs. The much maligned and sadly undernourished rent supplements program is in line for 140 million. But beyond these and the new experimental subsidy for rental property, America's slum dwellers, urban and rural, who are in greatest need get the least attention.

In sum, however, the bill goes far toward launching a broad frontal attack on the national disgrace of substandard housing. The Senate has done its work well. The House, by preserving what is strong and discarding what is weak, can go one better—and will, if it knows what's good for the nation.

POZNAN WORKER REVOLT—JUNE 28, 1956

(Mr. ROONEY of New York asked and was given permission to extend his remarks at this point in the RECORD.)

Mr. ROONEY of New York. Mr. Speaker, 12 years ago on Friday last, the freedom-loving workers of Poznan reached the limit of their endurance of the subjugation enforced upon them by their Polish masters—the puppets of the Soviet Union installed to rule over them. Their constant enslavement and the increasing indignities heaped upon them caused them to stage a dramatic and forceful revolt against the hated Russian Communist rule.

All of us in the free world applauded the brave acts of the Polish workers in defying their ruthless Government officials. All of us were saddened to observe the rapidity with which the troops summoned to suppress the revolt were able to end the uprising. But the courageous acts of the downtrodden workers were not wholly in vain. A more independent government was formed with many of the repressions and indignities put to an end. the revolt achieved anothtr important result in that it once again convinced the free world that the fighting spirit of the Polish people had not been subdued and that the love of freedom and self-determination could not be obliterated by their Communist oppressors.

Although we have been gratified in recent months to see the lot of the Polish citizen improved, we remain aware of the continued restrictions which are imposed upon the people of this great nation—a people proud of the help given them by America and proud of the strong bonds of friendship which exist between our citizens.

Mr. Speaker, the anniversary of the Poznan revolt is meaningful to all of us, but it is particularly important to our fine American citizens of Polish birth or parentage. We share in their pride of their kinsmen's demonstrated determination to resist the Soviet Communist oppressors and to reject vigorously the programs and political objectives which these Russian puppets seek to impose upon all the people of Poland.

I trust that all of us—not just the Members of Congress but the American people as a whole—will recall the gallant action of the Poznan workers to regain a measure of the freedom which was denied them.

We could well reflect upon the freedom which we enjoy and be grateful for the great heritage of liberty and justice for all which our forebears sought to endow us forever. As we count our blessings we should rededicate ourselves to completing the unfinished task of bringing a full measure of these blessings to our longtime friends in Poland.

I am proud to join with my many loyal Polish-American friends in observing this anniversary of a most important historic event. I again pledge to them and to the many fine Polish-American organizations which represent them my sincerest efforts to restore full freedom to their friends and relatives in Poland.

LEAVE OF ABSENCE

By unanimous consent, leave of absence was granted to:

Mr. GETTYS (at the request of Mr. ALBERT), from today through July 3, on account of official business.

Mr. WOLFF (at the request of Mr. ROONEY of New York), for July 1, 1968, through July 3, 1968, on account of official business.

Mr. MATHIAS of Maryland (at the request of Mr. GERALD R. FORD), for today, on account of illness.

Mr. CONYERS (at the request of Mr. ALBERT), for the week of July 1, on account of a death in the family.

SPECIAL ORDERS GRANTED

By unanimous consent, permission to address the House, following the legislative program and any special orders heretofore entered, was granted to:

Mr. HOLIFIELD, for 30 minutes, today; to revise and extend his remarks and to include extraneous matter.

(The following Members (at the request of Mr. RAILSBACK) and to revise and extend their remarks and include extraneous matter:)

Mr. QUIE, today, for 60 minutes.

Mr. SCHERLE, on July 22, for 60 minutes.

Mr. CHAMBERLAIN, today, for 30 minutes.

Mr. POLLOCK, on July 9, for 1 hour.

Mr. COHELAN (at the request of Mr. EILBERG), for 5 minutes, today; and to revise and extend his remarks and include extraneous matter.

EXTENSIONS OF REMARKS

By unanimous consent, permission to extend remarks in the Appendix of the RECORD, or to revise and extend remarks was granted to:

Mr. LANDRUM and to include extraneous matter.

Mr. ALBERT to insert remarks in connection with President Johnson's initiatives to explore nuclear missile disarmament, following the legislative program.

Mr. O'HARA of Illinois in three instances and to include extraneous matter.

Mr. STRATTON to include extraneous matter in his remarks on H.R. 17134.

Mr. DON H. CLAUSEN to include extraneous matter in his remarks on H.R. 17134.

Mr. GUDE to include extraneous matter in his remarks on H.R. 17134.

Mr. RANDALL during general debate on H.R. 17134 following the remarks of Mr. WRIGHT.

(The following members (at the request of Mr. RAILSBACK) and to include extraneous matter:)

Mr. BUSH in two instances.

Mr. BERRY.

Mr. QUILLEN in four instances.

Mr. FULTON of Pennsylvania in five instances.

Mr. PELLY in two instances.

Mr. WINN.

Mr. ASHBROOK in two instances.

Mr. BROYHILL of Virginia in two instances.

Mr. SMITH of Oklahoma in two instances.

Mr. BOW in two instances.

Mr. COWGER.

Mr. SHRIVER.

Mr. WYMAN in three instances.

Mr. PETTIS.

Mr. GURNEY in two instances.

Mr. SCHERLE in two instances.

Mr. FINDLEY.

Mr. WYDLER.

Mr. MORSE of Massachusetts in four instances.

Mr. HOSMER in two instances.

Mr. ESCH.

Mr. BRAY in three instances.

Mr. STEIGER of Wisconsin.

Mr. DUNCAN.

Mr. HORTON in two instances.

Mr. MCDADE.

Mr. BROCK.

Mr. FRELINGHUYSEN.

Mr. DERWINSKI.

Mr. RUMSFELD in four instances.

Mr. BURTON of Utah.

Mr. POLLOCK.

(The following Members (at the request of Mr. EILBERG) and to include extraneous matter:)

Mr. REES.

Mrs. SULLIVAN in two instances.

Mr. PEPPER in three instances.

Mr. RODINO.

Mr. GALLAGHER.

Mr. ASHMORE.

Mr. CORMAN in six instances.

Mr. BLATNIK in five instances.

Mr. JONES of Alabama.

Mr. DENT in three instances.

Mr. ROONEY of New York in two instances.

Mr. LONG of Maryland in two instances.

Mr. DINGELL.

Mr. SATTERFIELD.

Mr. RARICK in six instances.

Mr. HOWARD.

Mr. GONZALEZ in three instances.

Mr. WILLIS.

Mr. CASEY in two instances.

Mr. DIGGS in three instances.

Mr. FRASER in two instances.

Mr. KIRWAN.

Mr. VAN DEERLIN.

Mr. CLARK.

Mr. PATTEN.

DIGEST of Congressional Proceedings

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

UNITED STATES DEPARTMENT OF AGRICULTURE
WASHINGTON, D. C. 20250
OFFICIAL BUSINESS

POSTAGE AND FEES PAID
U. S. DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE
(FOR INFORMATION ONLY;
NOT TO BE QUOTED OR CITED)

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90th-2nd; No. 116

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HIGHLIGHTS: Senate committee reported dairy indemnity bill. Senate committee reported wilderness bills. House debated housing bill. Rep. Gurney introduced and discussed bill to create committee on hunger.

HOUSE

1. HOUSING. Began debate on H. R. 17989, to assist in the provision of housing for low- and moderate-income families, and to extend and amend laws relating to housing and urban development. pp. H6054-92, H6112-13

2. EDUCATION. The Education and Labor Committee reported H. R. 18366, to amend the Vocational Education Act of 1963 (H. Rept. 1647); and H. R. 15067, to amend the Higher Education Act of 1965, with amendment (H. Rept. 1649). p. H6116

3. LANDS. A subcommittee of the Interior and Insular Affairs Committee approved for full committee action H. R. 13797, amended, to authorize the sale of certain public lands; and H. R. 4530, amended, relating to the issuance of patents for lands held under the color of title, to liberalize the requirements for the conveyance of the mineral estate. p. D643

4. TRADE POLICIES. Rep. St Germain expressed concern that "imports rose 4 percent during the month of May" and "our exports declined 6 percent" and suggested "proper adjustment in our trade policies." He inserted an article, "Textile-Apparel Industry to World: 'Open the Door'". pp. H6096-7

Rep. Dent warned of "the increasing dangers of our free trade policy" and inserted an article, "Things Look Up for Mexico as U.S. Firms Cross the Border." pp. H6110-11

5. WATERSHEDS. Both Houses received from this Department plans for works of improvement on several watershed projects; to H. Agriculture and S. Agriculture and Forestry Committees (pp. H6115, S8204). The House received from this Department plans for works of improvement under the provisions of the Watershed Protection and Flood Prevention Act involving structures of more than 4,000 acre-feet of total capacity; to Public Works Committee (p. H6115).

SENATE

6. DAIRY. The Agriculture and Forestry Committee reported without amendment S. 3638, to extend for three years the authority of the Secretary of Agriculture to make indemnity payments to dairy farmers for milk required to be withheld from commercial markets because it contains residues of chemicals registered and approved for use by the Federal Government (S. Rept. 1363). p. S8205

7. LANDS. The Agriculture and Forestry Committee reported without amendment H. R. 15562, extending the act which authorizes loans by the Secretary of Agriculture on lease-hold interests in Hawaii (S. Rept. 1365). p. S8205

8. WILDERNESS. The Interior and Insular Affairs Committee reported without amendment H. R. 4739, to authorize the Secretary of the Interior to grant long-term leases with respect to lands in the El Portal administrative site adjacent to Yosemite National Park, Calif. (S. Rept. 1364); with amendment S. 3343, to designate certain lands in the Pelican Island National Wildlife Refuge, Indian River County, Fla., as wilderness (S. Rept. 1366); S. 3379, to designate certain lands in the Great Swamp National Wildlife Refuge, Morris County, N. J., as wilderness (S. Rept. 1367); S. 3425, to designate certain lands in the Monomoy National Wildlife Refuge, Barnstable County, Mass., as wilderness (S. Rept. 1368); and S. 3502, to designate certain lands in the Seney, Huron Islands, and Michigan Islands National Wildlife Refuges in Mich., the Gravel Island and Green Bay National Wildlife Refuges in Wisc., and the Moosehorn National Wildlife Refuge in Maine, as wilderness (S. Rept. 1369). p. S8205

9. POLLUTION. The Public Works Committee reported with amendment S. 3206, to amend the Federal Water Pollution Control Act, as amended, relating to the construction of waste treatment works, and to the conduct of water pollution control research (S. Rept. 1370); and with amendments S. 2525, to amend the Federal

Mr. GROSS. Mr. Speaker, reserving the right to object, is this the bill that came out of a subcommittee of the District of Columbia Committee at about 10:15 this morning and then went to the full committee?

Mr. DOWDY. No; it came out of the full committee at that time. It came out of the full committee between 11:15 and 11:30 this morning.

Mr. GROSS. Mr. Speaker, when did the subcommittee consider this bill?

Mr. DOWDY. It considered the bill the week before last.

Mr. GROSS. Did the subcommittee vote it out at that time, or vote it out this morning?

Mr. DOWDY. The subcommittee voted it out at that time.

Mr. GROSS. And the full committee voted it out somewhere between 11:15 and 11:30 this morning, and it is on the House floor with a makeshift report to accompany it. Is that correct?

Mr. DOWDY. That is about correct.

Mr. GROSS. Mr. Speaker, a parliamentary inquiry. Under the rules of the House may this bill be considered at this time without it having to lay over?

The SPEAKER. The Chair will state that in view of the fact that the committee filed its report, it is in order to call it up today.

Is there objection to the request of the gentleman from Texas?

Mr. GROSS. Mr. Speaker, a further parliamentary inquiry. The request is to consider the bill in the House as in the Committee of the Whole?

The SPEAKER. That is correct.

Mr. GROSS. Mr. Speaker, I withdraw my reservation of objection.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

There was no objection.

The Clerk read the bill, as follows:

H.R. 18248

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 2 of the Act entitled "An Act to provide for the regulation of fares for the transportation of schoolchildren in the District of Columbia", approved August 9, 1955 (D.C. Code, sec. 44–214a), is amended to read as follows:

"SEC. 2. In the case of any common carrier required to furnish transportation to schoolchildren at a reduced fare under this Act, the Washington Metropolitan Area Transit Commission shall, as soon as practicable after the end of the fiscal year ending June 30, 1968, and after the end of each fiscal year thereafter, certify to the Commissioner of the District of Columbia, with respect to that fiscal year, an amount which is the difference between the total of all reduced fares paid during that fiscal year to each such carrier by schoolchildren in accordance with this Act and the amount which would have been paid during that fiscal year to each such carrier if such fares had been paid at the lowest adult fare established by the Commission for regular route transportation in that fiscal year. In the case of the amount certified under this section for each such carrier for each of the fiscal years ending June 30, 1968, June 30, 1969, and June 30, 1970, the Commissioner of the District of Columbia shall, upon certification of that amount, pay to each such carrier the amount so certified for that fiscal year."

SEC. 2. (a) The last sentence of section 7 of title I of the Act entitled "An Act to grant a francise to D.C. Transit System, Inc., and for other purposes", approved July 24, 1956 (70 Stat. 598; Public Law 84–757), is amended by striking out the period at the end thereof and inserting in lieu thereof the following: "until January 1, 1968, and thereafter the entire cost of removal, regarding, and paving shall be the obligation of the government of the District of Columbia."

(b) Section 710 of the Act entitled "An Act to establish a code of law for the District of Columbia", approved March 3, 1901 (D.C. Code, sec. 44–211), is repealed.

With the following committee amendment:

On page 2, strike out line 16 and all follows down through and including line 5 on page 3.

The SPEAKER. The Chair recognizes the gentleman from Texas [Mr. DOWDY] for 5 minutes.

Mr. DOWDY. Mr. Speaker, this bill, as was introduced, contains two provisions. The amendment concerns one of them, and it has to do with track removal, which was involved in the franchise granted to the D.C. Transit System in 1956. This amendment merely strikes that portion of the bill.

Mr. Speaker, I urge its adoption.

(Mr. GROSS asked and was given permission to revise and extend his remarks.)

Mr. GROSS. Mr. Speaker, I move to strike the requisite number of words.

Mr. Speaker, I take this time to find out something about the pending bill. As I said before, I have before me a proofsheet report, well doctored with pencil marks. This was made available to me about 10 or 15 minutes ago. I would like to hear someone explain the purpose of this bill, and why it must be considered today under these circumstances.

Mr. BROYHILL of Virginia. Mr. Speaker, will the gentleman yield?

Mr. GROSS. I am glad to yield to the gentleman from Virginia.

Mr. BROYHILL of Virginia. The purpose of the bill is to eliminate the necessity for passing on to the riders of the public transportation system the cutrate fares or subsidies provided the schoolchildren in the District of Columbia. It has been the practice in the past for the schoolchildren to receive a fare not in excess of one-half of the lowest adult fare.

It might be all right to give the schoolchildren a cutrate bus fare, but it is not fair for the other riders of the transportation system to have to pay that subsidy.

The purpose of this bill is to place the responsibility of providing the cost of the subsidy on the school system itself.

The Congress has decided years ago to have a bus subsidy for schoolchildren. It is up to the Congress to determine whether it wants to abolish that or not. The purpose of this bill is to prevent the bus riders from having to pay the subsidy.

Mr. GERALD R. FORD. Mr. Speaker, will the gentleman yield?

Mr. GROSS. I yield to the minority leader.

Mr. GERALD R. FORD. I should like to ask the gentleman from Virginia; is there a committee report before the House in this Chamber today on this bill?

Mr. BROYHILL of Virginia. There is a report.

Mr. GERALD R. FORD. Is it published? Is it available for general distribution?

Mr. BROYHILL of Virginia. So far as I know, it is available. I have a copy before me.

Mr. GERALD R. FORD. Could any Member go up to the desk and get a copy? I appreciate the fact that there are three or four copies available, but could any one of the 435 Members go up to the usual place and get a copy of the report, so that he could read it and seek to understand what is in the bill?

Mr. BROYHILL of Virginia. I could not answer that question.

Mr. GERALD R. FORD. Could the gentleman from Texas tell me "yes" or "no"?

Mr. DOWDY. I believe that any Member who wants a copy of the report can get one.

Mr. GERALD R. FORD. That is not an answer to the question. Is there a committee report printed which is available to all the Members?

Mr. DOWDY. No; but a report is available to any Member who wants it, and it is printed.

Mr. GROSS. Well, it is in a galley proof. It is not the usual report, and it is not to be found at the desk.

Mr. FRASER. Mr. Speaker, will the gentleman yield?

Mr. GROSS. I am glad to yield to the gentleman from Minnesota.

Mr. FRASER. I will advise the gentleman that a few minutes ago I asked for a copy of the report, and there was none available.

The gentleman also is entitled to know that under this bill the D.C. Transit Co., as soon as the bill is passed, will get a million dollars, not prospectively, but a million dollars now paid into its treasury, and then prospectively it will give them a million dollars each year thereafter. It gives them a million dollars right out of the blue. I though the gentleman would like to know that.

Mr. GROSS. That is indeed interesting. It would give them a million dollars for what? The gentleman is a member of the District Committee; is he not?

Mr. FRASER. Yes, sir, I am.

Mr. GROSS. It would give them a million dollars for what?

Mr. FRASER. I do not know. It may be because they made such a good impression when they came before the committee, or it may be that they looked as though they were part of the poverty program and needed help.

Mr. GROSS. Does the gentleman mean O. Roy Chalk?

Mr. FRASER. He is one of the principal shareholders.

Mr. GROSS. Yes. Is that the reason why this bill is coming here with such speed today, because of O. Roy Chalk? Does the gentleman have any idea as to who is putting on the pressure to ram a bill like this down our throats on such short notice?

Mr. FRASER. I would not want to make any inference, as the gentleman would understand, but it is the case that our committee did not report out any

bills for quite a period of time. Then this was the first bill taken up after this lapse of time, and it has been pushed very rapidly; that is the case; yes, sir.

Mr. GROSS. It is difficult for me to understand why we should tolerate being put in this kind of legislative position, with, as the gentleman says, a million-dollar windfall for somebody in the bill. I do not like it at all.

What does the bill have to do with the street car tracks that have not been removed by O. Roy Chalk, that create a traffic hazard in this city and should have been removed years ago?

Mr. FRASER. As the bill originally came out of the subcommittee we would have relieved the transit company of that obligation. In an effort apparently to win wider acceptance, that provision was agreed to be stricken. That amendment is pending. It is an indication as to how much that bill was going to do for the D.C. Transit Co.; that was in the bill initially.

Mr. GROSS. The committee provided a million-dollar windfall for O. Roy Chalk, when it should have been telling him to get busy and get those tracks out of the streets of the city of Washington.

The SPEAKER. The time of the gentleman from Iowa has expired.

(By unanimous consent, Mr. GROSS was allowed to proceed for 3 additional minutes.)

Mr. GROSS. Now let me ask someone on this side of the aisle. Is it true that this bill provides for $1 million a year into the future?

Mr. NELSEN. Mr. Speaker, will the gentleman yield?

Mr. GROSS. Of course I yield to the gentleman.

Mr. NELSEN. There is a termination date that provides for 3 years of payment by the District of Columbia toward the bus fares of schoolchildren. The termination date of 3 years was my suggestion providing—providing that there was some language in the report that would require the transit people, O. Roy Chalk, to take care of the tracks and also to provide for the buses that his franchise provided for. It was not included in the report, as I requested, and I did not support that bill as a result of that.

Mr. GROSS. I thank the gentleman.

Mr. Speaker, this bill ought to be defeated out of hand here today.

Mr. DOWDY. Mr. Speaker, will the gentleman yield to me?

Mr. GROSS. I am glad to yield to the gentleman from Texas if he wishes me to do so.

Mr. DOWDY. Mr. Speaker, I ask unanimous consent that this bill be withdrawn, to be called up on the next District day.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

There was no objection.

HOUSING AND URBAN DEVELOPMENT ACT OF 1968

Mr. MADDEN. Mr. Speaker, by direction of the Committee on Rules, I call up House Resolution 1238 and ask for its immediate consideration.

The Clerk read the resolution, as follows:

H. RES. 1238

Resolved, That upon the adoption of this resolution it shall be in order to move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H.R. 17989) to assist in the provision of housing for low and moderate income families, and to extend and amend laws relating to housing and urban development, and all points of order against said bill are hereby waived. After general debate, which shall be confined to the bill and shall continue not to exceed four hours, to be equally divided and controlled by the chairman and ranking minority member of the Committee on Banking and Currency, the bill shall be read for amendment under the five-minute rule by titles instead of by sections. At the conclusion of the consideration of the bill for amendment, the Committee shall rise and report the bill to the House with such amendments as may have been adopted, and the previous question shall be considered as ordered on the bill and amendments thereto to final passage without intervening motion except one motion to recommit. After the passage of H.R. 17989, the Committee on Banking and Currency shall be discharged from the further consideration of the bill S. 3497, and it shall then be in order in the House to move to strike out all after the enacting clause of S. 3497 and insert in lieu thereof the provisions contained in H.R. 17989 as passed by the House.

The SPEAKER. The gentleman from Indiana is recognized for 1 hour.

(Mr. MADDEN asked and was given permission to revise and extend his remarks.)

Mr. MADDEN. Mr. Speaker, House Resolution 1238 provides an open rule with 4 hours of general debate for consideration of H.R. 17989 to assist in the provision of housing for low- and moderate-income families, and to extend and amend laws relating to housing and urban development.

Mr. Speaker, H.R. 17989, drawn from the proposals which President Johnson has said will mean a renewed charter of hope for the American city, is indeed a historic housing and urban development bill. Its provisions rank in importance with the pioneering housing legislation of the 1930's, and with the Housing Acts of 1949, 1954, 1961, and the more recent legislation authorizing programs of rent supplements and model cities.

One of the most important titles in the bill is title I which would establish a new program providing Federal assistance to help low- and moderate-income families achieve homeownership. Under the program, the Secretary of HUD could enter into contracts to make periodic payments to lenders who make FHA-insured home mortgage loans to low- and moderate-income families. The payments would be in the amount necessary to make up the difference between 20 percent of the family's monthly income and the required monthly payment under the market-rate mortgage. However, in no case could the amount of payment exceed the difference between the required monthly payment under the mortgage and the amount which would be required for principal and interest if the mortgage bore an interest rate of 1 percent. Provision is made for the recertification of an assisted family's income at least every 2 years with the amount of assistance payment being adjusted accordingly. This new homeownership program could also be used to help low- and moderate-income families obtain membership in a cooperative or a condominium.

There are also other provisions in this title aimed at encouraging home ownership for low- and moderate-income families. For example, a new FHA program of credit assistance for such families would be created; the mortgage insurance requirements for housing in declining urban areas where many of these families live would be relaxed; and a new special risk insurance fund would be established.

Title II is a companion title I dealing with rental housing for low- and moderate-income families rather than homeownership. Section 201 contains provisions similar to those found in the title I homeownership program. Periodic assistance payments would be made to a mortgagee in the amount necessary to reduce the mortgagor's interest costs on a market rate mortgage to that which would be required if the mortgage bore an interest rate of 1 percent. These interest reduction payments will allow the mortgagor to reduce his rentals to a basic charge—computed on the basis of his operating under a 1-percent mortgage—and the tenant or cooperative member would either pay the basic charge or such greater amount as represented 20 percent of his income.

In addition to this new rental program the authorization for the rent supplements and the low-rent public housing programs would be substantiably increased under this title.

Title III would perfect and liberalize a number of existing FHA mortgage insurance programs. Among the changes would be inclusion of the cost of major nursing home equipment in an insured nursing home mortgage and the raising of the loan limits in the title I home improvement loan insurance program.

Title IV of the bill would establish an alternative form of urban renewal under which the Secretary of HUD would be authorized to provide financial assistance to "neighborhood development programs." Under such a program a community would carry out urban renewal projects on the basis of annual budgeting over the period required rather than on the basis of a lump-sum commitment for the entire project.

This title also extends the areas eligible for rehabilitation loans and grants and increases the maximum rehabilitation grant to low-income families of $3,000. A new program of interim assistance for blighted areas scheduled for eventual urban renewal or concentrated code enforcement would also be established.

Title V of the bill extensively revises the section 701 urban planning assistance program. Among other changes, districts in rural and other metropolitan areas would now be eligible for comprehensive planning grants. Authorization for the basic water and sewer program would be substantially increased.

Title VI deals with urban mass trans-

portation. Appropriations authorized for the program would be increased; the defintion of mass transportation would be broadened to take account of new concepts and technology; and other perfecting changes are provided.

Title VII deals with the Federal National Mortgage Association. It would placed FNMA's secondary market operation in a new privately owned corporation. FNMA's special assistance and management and liquidating functions would be retained in a new Government National Mortgage Association within the Department of HUD.

Title VIII would authorize the creation of one or more federally chartered, privately funded corporations to mobilize private investment and the application of business skills in the job of creating low- and moderate-income housing in large volume.

Title IX concerns rural housing. It authorizes the Farmers Home Administration to make direct and insured loans available to low-income families in rural areas and small towns with interest rates as low as 1 percent. This would establish comparability with the other new programs proposed for HUD. It also authorizes a new program of grants and loans to aid self-help housing.

Title X would authorize a new program of Federal reinsurance for private insurance companies to encourage them to write property insurance in areas threatened by riots and civil commotion.

Title XI relates to flood insurance and authorizes a new program of Federal assistance to private insurance companies to encourage them to provide property insurance coverage for flood hazards.

Title XII authorizes a new program of FHA mortgage insurance to finance the construction and equipping of nonprofit hospitals.

In title XIII the Congress would reaffirm the national housing goal of "a decent home and suitable living environment for every American family" first set forth in the Housing Act of 1949. A definite goal of 26 million housing units within the next decade, including 6 million units for low- and moderate-income families, would be established and the Secretary of Housing and Urban Development would submit annual reports giving his assessment on whether the 10-year goal is being met.

Finally, title XIV contains miscellaneous provisions. Among the most important are the supplementing of the existing program of 3 percent direct college housing loans by a new program of interest subsidies for privately financed college housing and the authorization of an additional $1 billion for fiscal 1970 for the model cities program.

As can be seen by a review of its various titles, this bill is one of the most comprehensive pieces of housing legislation ever to be considered by this body. It addresses itself to the major domestic problems now facing this country, the health of our cities. There is no work more important for us than the adoption of House Resolution 1238 and the consideration and enactment of this bill.

WAIVER OF POINTS OF ORDER

The provision in the rule waiving points of order is usual in a bill of this size and complexity. Every major housing bill that I recall has had this kind of rule. Actually I know of nothing in the bill on which a point of order could be raised. This was discussed in the Rules Committee and no one could point out any provision in the housing bill where this might be a problem. It has been pointed out to us that there is a minor defect in the Ramseyer section in the committee report. The language beginning on page 211 which purports to change the name of the Federal Savings and Loan Insurance Corporation should not be in there and there is nothing in the bill on this point. The subject this deals with had been stricken from the bill in the Committee on Banking and Currency and it was only through an oversight that this language was left in. Other than that, we have found nothing which might be the subject of a point of order. However, it is a necessary safeguard on a bill of this size. Certainly, it would be tragic if consideration of this vital legislation were blocked because of a technicality.

Mr. HALL. Mr. Speaker, will the gentleman yield?

Mr. MADDEN. I yield to the gentleman from Missouri.

Mr. HALL. Mr. Speaker, I appreciate the gentleman yielding to me.

I want to ask the gentleman about line 7 of the resolution (H. Res. 1238), wherein "all points of order against said bill are hereby waived."

I understood it was the new policy of the Committee on Rules to announce when and why and for what reasons, and who requested points of order, and where they might be found in the bill.

I was listening carefully, and I do not believe the gentleman comments went to this new policy of the Committee on Rules, or the new formula for waiver of points of order; which, of course, I am sure the gentleman will agree with me takes away one of the prerogatives of the individually elected Members of this House.

Mr. MADDEN. In answer to the question of the gentleman from Missouri, the legislation before us is highly involved and complex consisting of some 279 pages and possibly a few minor technical points might be questionable on a point of order. In further answer to the question raised by the gentleman from Missouri, this matter was taken up in the Committee on Rules in executive session and it was decided that in all legislation involving a complex housing bill the Committee on Rules formerly waived points of order. This policy applied to every major housing bill that I can recall during my service on the Rules Committee.

I do not know whether I could designate exactly what the members of the Banking and Currency Committee pointed out as being necessary for waiving points of order, but as I say it was discussed and it was unanimously agreed to grant a waiver of points of order.

The language beginning on page 211 which purports to change the name of the Federal Savings and Loan Insurance Corporation should not be in there, and there is nothing in the bill on this point. This deals with what has been stricken from the bill, and was only through oversight that this language was left in, according to what was told the Committee on Rules by the chairman of the Committee on Banking and Currency.

Other than that I do not know of anything that I could point out specifically. But in order to safeguard a bill of this size, that is so involved and complex so that something unforeseen might be questioned, it was the decision of the Committee on Rules to waive points of order.

Mr. MARTIN. Mr. Speaker, will the gentleman yield?

Mr. MADDEN. I yield to the gentleman from Nebraska.

Mr. MARTIN. Is it not true that in the discussion in our committee that the distinguished chairman of the Committee on Banking and Currency requested a waiver of points of order, and that the Committee on Rules now has a rule that if there is such a request to be made, that it has to be made in writing, setting forth reasons why points of order should be waived?

The chairman of the Committee on Banking and Currency did not have any reasons as to why points of order should be waived other than that it was a long bill of some 200 and some pages, and although he stated that he was quite certain that everything was in order, but because of the length of the bill he felt that perhaps we ought to waive points of order. And the Committee on Rules violated their own rules in doing so.

I would further state to the gentleman in the well that this was not done by a unanimous vote of all the Members. I would remind the distinguished gentleman in the well at the present time that several of us did not vote to report out this resolution waiving points of order because there were no adequate reasons given for waiving points of order on this legislation.

Mr. HALL. Mr. Speaker, will the gentleman yield further?

Mr. MADDEN. I yield further to the gentleman from Missouri.

Mr. HALL. That is my real interest. I have no fault with the rule except that it does waive points of order, which I always presume takes away one of the elected Representatives' prerogatives and duties as a Representative after having been elected to the House.

But, it has been announced and officially confirmed that the Committee on Rules is going to have this requirement and list the causes for a waiver, when granted.

I appreciate the statement the gentleman from Indiana made although I think any error as to the title of one section in the bill might have been changed by a unanimous consent request, without waiving of all points of order against the bill.

What I really want to know from the gentleman is, have we already broken down the Committee on Rules decision

to advise the House, when points of order are waived according to a request in writing and listing them in the report on the House resolution, or can we still look forward to that—or must we nitpick at each individual bill, some of which certainly should have points of order against them waived perhaps. I am glad to know the decision in this case was not unanimous.

I had thought and it has been stated repeatedly on the floor of the House in this session when we have been making books on requests for waivers of points of order so to speak from all sources, that the Rules Committee was trying to tighten up on those, and we know that we have waivers of points of order on ways and means and tax bills for obvious reasons. Now are we going to waive our own rules in the Committee on Rules and, second, are we going to grant waviers of points of order willy-nilly on bills, whether they are appropriation bills or authorization bills? This is my question.

Mr. MADDEN. No, in answer to the gentleman, I will say that it is not the general practice of the Committee on Rules to willy-nilly waive points of order.

But in answer to what the gentleman from Nebraska [Mr. MARTIN] stated I can say that the chairman of the Committee on Banking and Currency did set out to me the statement I just related regarding the reason why points of order were waived on this particular bill and, particularly the fact that it is a highly involved and complex bill of 279 pages and it is too important a piece of legislation for the Congress to spend hours and hours debating or amending and then have some unforeseen situation involving a point of order, arise. So in the judgment of the Committee on Rules, they did waive points of order.

Mr. HALL. I, for one, have read the bill and the report, and I agree with the gentleman that it is a complex bill and some things badly need to be straightened out.

But, it makes it more difficult for the House to work its will as far as the individual Members are concerned, if the Committee on Rules comes closer and closer to waiving points of order on every bill before it. It looks to me as though this is what is happening.

Mr. MADDEN. In answer to the gentleman, I do not think the Committee on Rules will follow that policy, generally.

Mr. GROSS. Mr. Speaker, will the gentleman yield?

Mr. MADDEN. I yield to the gentleman from Iowa.

Mr. GROSS. Of course, there are many other bills that come before the House that are complex in nature on which points of order are not waived.

Even though there were a few lines in this bill subject to a point of order, the point of order would pertain only to those words and the section in which it was contained and no point of order would invalidate the whole bill unless it went to the title of the bill.

I just do not understand why the Committee on Rules rolls over and plays dead when the chairman of the legislative committee comes before the committee and, without justification, asks for a waiver of the rules.

I do not consider this nitpicking; I consider what I have said to be a defense of the Rules of the House of Representatives.

If we are going to waive points of orders on all bills, then let us abolish the rules of the House with respect to points of order.

Mr. MADDEN. I appreciate the gentleman's statement, but the committee did give every consideration to this bill in executive session and then decided to waive points of order.

The SPEAKER. The Chair recognizes the gentleman from Tennessee [Mr. QUILLEN].

Mr. QUILLEN. Mr. Speaker, I yield myself such time as I may consume.

(Mr. QUILLEN asked and was given permission to revise and extend his remarks.)

Mr. QUILLEN. Mr. Speaker, I think that the gentleman from Indiana [Mr. MADDEN] has very eloquently summarized the many provisions contained in the Housing and Urban Development Act of 1968. House Resolution 1238 provides for an open rule with 4 hours of general debate, waiving points of order.

WAIVER OF POINTS OF ORDER

The provision in the rule waiving points of order is usual in a bill of this size and complexity. Every major housing bill that I recall has had this kind of rule. Actually I know of nothing in the bill on which a point of order could be raised. This was discussed in the Rules Committee and no one could point out any provision in the housing bill where this might be a problem. It has been pointed out to us that there is a minor defect in the ramseyer section in the committee report. The language beginning on page 211 which purports to change the name of the Federal Savings and Loan Insurance Corporation should not be in there and there is nothing in the bill on this point. The subject this deals with had been stricken from the bill in the Committee on Banking and Currency and it was only through an oversight that this language was left in. Other than that, we have found nothing which might be the subject of a point of order. However, it is a necessary safeguard on a bill of this size. Certainly, it would be tragic if consideration of this vital legislation were blocked because of a technicality.

I want to make just a few brief comments.

The bill is undeniably big. It is both long and complicated. The text of the bill itself runs 280 pages and the report is 359 pages long.

The bill is also costly. I understand that the total cost of the bill over a 3-year period is approximately $5.3 billion.

The impact on the fiscal 1969 budget will be minimal but fiscal 1970 and fiscal 1971 are coming.

Some of the minority members of the committee have said that parts of the bill are bad. We will have during the 4 hours of general debate at least some opportunity to discuss these and other provisions and hopefully to eliminate some of these "bad" provisions.

Mr. Speaker, there are parts of the bill, however, that I think many of us can and will support. A very substantial number of those of us on this side of the aisle have heretofore introduced the National Home Ownership Foundation Act, and there are parts of this bill which carry out provisions of the proposed Foundation Act.

Through the efforts of the ranking minority member of the committee, the gentleman from New Jersey [Mr. WIDNALL], there have been much-needed changes to the urban renewal program—directing that program into the area of low- and moderate-income housing wherever residential reuses are called for. This change has been a long time in coming and is one of the more salutary features of this very large bill.

The minority members of the committee have also been instrumental in substantially increasing the authorization for the water and sewer program. This is an extremely popular program and I can only hope that the incoming administration in January of 1969 will see to it that this program is fully funded.

Permit me, Mr. Speaker, to run over some of the other provisions in the bill very briefly.

In addition to the homeownership provisions there is a section of the bill that would authorize technical and financial assistance to nonprofit housing sponsors. There is specifically set up a national homeownership foundation to provide grants and loans to the sponsors of housing projects. There is a new rental housing program that we will undoubtedly want to look at very carefully.

The bill contains a new provision relating to the financing of renewal projects.

There are provisions that would place FNMA's secondary market operations in a new private corporation while the special assistance program and the management and liquidation functions would be placed in a wholly owned government corporation.

There are provisions, Mr. Speaker, to provide housing in the rural areas and it is my understanding that these provisions would be administered by the Secretary of Agriculture, presumably through the Farmers Home Administration.

There are two insurance sections in the bill—one, a program of reinsurance to cover riot areas and a second program of insurance for flood-prone areas.

Finally, Mr. Speaker, there are increases in the authorizations for existing programs, urban renewal, so-called model cities, public housing, rent supplements, and many more.

And section 1417 grants additional loan authority to the Nation's savings and loan institutions. Such financial institutions will be permitted to issue certificates of deposit as well as bonds, debentures and notes to the extent that regulation permits. In addition, savings and loan institutions are granted authority to make loans of up to $5,000 for the repair, alteration or improvement of any real property or for loans to finance the purchase of mobile homes.

Mr. Speaker, I urge the adoption of the rule so that we can begin debate on

this very large and complicated bill and I hope through the debate process and by amendments we can perfect this legislation which many Members in the Congress feel is both necessary and worthwhile.

Mr. Speaker, I have no further requests for time, but I reserve the balance of my time.

Mr. MADDEN. Mr. Speaker, I have no further requests for time.

Mr. Speaker, I move the previous question on the resolution.

The previous question was ordered.

The resolution was agreed to.

A motion to reconsider was laid on the table.

Mr. PATMAN. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H.R. 17989) to assist in the provision of housing or low- and moderate-income families, and to extend and amend laws relating to housing and urban development.

The SPEAKER pro tempore. The question is on the motion offered by the gentleman from Texas.

The motion was agreed to.

IN THE COMMITTEE OF THE WHOLE

Accordingly the House resolved itself into the Committee of the Whole House on the State of the Union for the consideration of the bill H.R. 17989, with Mr. PRICE of Illinois in the chair.

The Clerk read the title of the bill.

By unanimous consent, the first reading of the bill was dispensed with.

The CHAIRMAN. Under the rule, the gentleman from Texas [Mr. PATMAN] will be recognized for 2 hours, and the gentleman from New Jersey [Mr. WIDNALL] will be recognized for 2 hours.

The Chair recognizes the gentleman from Texas [Mr. PATMAN].

Mr. CONTE. Mr. Chairman, I make the point of order that a quorum is not present.

The CHAIRMAN. The Chair will count.

Seventy Members are present, not a quorum. The Clerk will call the roll.

The Clerk called the roll, and the following Members failed to answer to their names:

[Roll No. 230]

Abbitt	Edmondson	Kluczynski
Albert	Edwards, La.	Kornegay
Anderson, Ill.	Esch	Kupferman
Anderson, Tenn.	Evins, Tenn.	Kyros
	Farbstein	Landrum
Andrews, N. Dak.	Fascell	Lipscomb
	Fino	Long, La.
Ashley	Flood	Lukens
Baring	Fulton, Tenn.	McCloskey
Bates	Gardner	McMillan
Bell	Gettys	Mathias, Md.
Blanton	Gibbons	Michel
Bow	Green, Oreg.	Mink
Brademas	Grover	Mize
Bray	Gurney	Moore
Brock	Halleck	Nix
Brown, Mich.	Hanna	Passman
Carey	Hansen, Idaho	Pettis
Cleveland	Hansen, Wash.	Pickle
Collier	Hardy	Podell
Conyers	Hawkins	Pool
Corman	Herlong	Pryor
Cramer	Holland	Railsback
Cunningham	Hosmer	Rarick
Davis, Wis.	Howard	Rees
Dellenback	Hungate	Reinecke
Dent	Irwin	Resnick
Devine	Jarman	Ronan
Diggs	Jones, Mo.	Roybal
Dole	Karsten	Ruppe
Dwyer	Keith	Satterfield
Eckhardt	Kelly	Scheuer
Shipley	Steed	Van Deerlin
Smith, Iowa	Teague, Tex.	Waggonner
Smith, Okla.	Thompson, N.J.	Watkins
Springer	Tuck	Willis
Stafford	Tunney	Wolff

Accordingly the Committee rose; and the Speaker having resumed the chair, Mr. PRICE of Illinois, Chairman of the Committee of the Whole House on the State of the Union, reported that that Committee, having had under consideration the bill H.R. 17989, and finding itself without a quorum, he had directed the roll to be called, when 319 Members responded to their names, a quorum, and he submitted herewith the names of the absentees to be spread upon the Journal.

The Committee resumed its sitting.

The CHAIRMAN. The gentleman from Texas [Mr. PATMAN] is recognized.

Mr. PATMAN. Mr. Chairman, I yield myself such time as I may use.

(Mr. PATMAN asked and was given permission to revise and extend his remarks.)

Mr. PATMAN. Mr. Chairman, today I urge my colleagues to join with the Banking and Currency Committee in support of H.R. 17989, the Housing and Urban Development Act of 1968. This legislation is an unprecedented national commitment to urban affairs:

A commitment to the big city ghetto and the small town, to the suburbs and rural countryside;

A commitment to the less fortunate who for decades have been forced to live in substandard, dilapidated housing; and

A renewed commitment to our national goal of a decent home for every American family.

Over the past few years this country has become painfully aware of the problems besieging our cities. We have lived through a period of needless and destructive violence.

It is important we recognize that these problems are not new. They were not the creation of four summers. They are the inheritance of 100 years of growth and neglect.

Since 1937 we have been trying to do something about providing decent homes for our citizens through public housing and various mortgage assistance programs. But the pace of our building has not been able to keep up with the growth of new families and with the deterioration of older structures. Current estimates that there are about 6 million substandard housing units in the Nation give some indication of the job that has got to be done.

If upgrading or replacing these substandard units were the extent of our problem, our work would still be cut out for us. As it is the problem is far greater: not only do we have to deal with inadequate housing built in the past; we have also got to provide adequate housing for the new urban Americans who will live in our cities in the future.

And that is a mammoth undertaking.

Current projections indicate that over 100 million new Americans will be living in our cities by the end of this century. To provide shelter for them as well as the new Americans in rural areas and small towns, 26 million new housing units must be constructed in the next decade. Among other things this means that our housing industry—which in its best years has produced approximately 1.6 million units per year—must lift its average annual production to 2.6 million units, and sustain this rate of production for 10 years.

Obviously the pace of our construction efforts—unless accelerated—will not enable us to meet the demand.

To meet this challenge on February 22 President Johnson called for a speedup in our production of decent housing. He set a far-reaching goal for the Nation—"the construction of 26 million new homes and apartments over the next 10 years—6 million of these to finally replace the shameful substandard units of misery where more than 20 million Americans still live."

H.R. 17989 responds to the President's call. Title XIII reaffirms our national goal set forth in the Housing Act of 1949 of "a decent home and a suitable living environment for every American." And it determines that this goal be met over the next decade with the construction or rehabilitation of 26 million units, 6 million of these for low- and moderate-income families.

There is no single program or approach that can embrace solutions to meet this far-reaching goal. Nor can the Federal Government provide all the answers. Solutions lie in the wise use of a series of urban programs—from the historic public housing program of 1937 to the urban renewal program of 1949 to the model cities program of 1966 and to this Housing and Urban Development Act of 1968. We have shaped and reshaped many of our older programs. We have added new programs. This we must continue.

And solutions lie in the concerted action of all levels of government—Federal, State, and local—as well as private enterprise. Mr. Chairman, I believe this 1968 act will provide the necessary tools that we might begin the massive task ahead.

Let us turn our attention to the provisions of H.R. 17989, the Housing and Urban Development Act of 1968.

HOMEOWNERSHIP

Title I is designed to help lower income Americans find decent housing through a program of homeownership. Families with incomes ranging in most cases from $3,000 to $7,500 would be eligible for Federal assistance that could reduce the cost of their mortgage to as low as 1 percent. A family would pay 20 percent of its income toward principal, interest, taxes, insurance, and mortgage insurance premiums on their home with a Federal payment made to the lender for the difference between that amount and the actual payment due.

Further, limits have been set on the amount of mortgage and as a general rule the mortgage cannot exceed $15,000. However, in high-cost areas and for large families the amount might be slightly greater. Now this does not allow a family to build an extravagant home. It simply means that a large family will require additional general living space, as well as additional bedrooms. And we must take into account the varying building costs from city to city.

The crucial need for additional housing units in the low- and moderate-income range is severe and although the Secretary may find existing houses eli-

gible under this program, the committee assumes that the basic orientation of the homeownership program will be to provide new housing units. Certainly the program should not be used to inflate prices on existing housing within an already tight housing market.

Title I also makes changes in FHA requirements designed to encourage homeownership among lower income Americans. Formerly FHA turned down many low- and moderate-income families with poor credit histories or irregular income patterns. Under the provisions of this legislation, FHA is authorized to qualify those families who, with proper counseling, might be satisfactory credit risks and capable of bearing the responsibility of homeownership.

FHA would also be authorized to waive its requirements such as economic soundness to insure properties in older, declining neighborhoods of cities. This would alleviate charges frequently leveled at FHA of redlining or refusing insurance solely on the basis of location.

It is obvious that these two provisions coupled with the homeownership and rental program might expose the FHA to higher losses. Therefore, a special risk insurance fund would be established to pay these losses without endangering FHA mortgage insurance reserves.

Finally, to bring more new housing within the reach of low- and moderate-income families, title I provides assistance to nonprofit sponsors to help them in their efforts to build such housing through a program of technical assistance and 80-percent interest-free loans to cover the preconstructing costs of these sponsors in their federally assisted housing activities. A National Homeownership Foundation would also be established to provide technical and financial assistance to those private and public organizations wanting to organize for the purpose of providing rental and homeownership opportunities for lower income families.

Mr. Chairman, I believe the adoption of a homeownership program to be one of the most important issues to come before Congress. Pride of ownership is a subtle but powerful force. Past experience has shown us that families offered decent homes at prices they can afford have demonstrated a new dignity, a new attitude toward their jobs, and a sense of participation in their community. Incidents of vandalism in communities where residents were given the opportunity to purchase their own homes have declined markedly. It is only logical that people who own their homes will care more about what happens in a community than those that merely live there.

It is my conviction that by extending the opportunity for homeownership to low- and moderate-income families, we will give them a concrete incentive for striving to improve their own lives as well as the life of their community.

RENTAL HOUSING

Title II provides a new rental and cooperative housing program of Federal assistance for low- and moderate-income families. Assistance comes in the form of subsidies for privately sponsored rental and cooperative projects. This means that the private sector will make loans at market rates and the Government will make up the difference between the market rate of interest and 1 percent. This 1-percent mortgage would, in turn, allow reduction of rentals to a basic charge—with low- and moderate-income families paying the higher of 20 percent of their income or the rental necessary to operate the project at a mortgage interest of 1 percent.

Nonprofit organizations, cooperatives, limited dividend entities—as presently permitted under the 221(d)(3) program—and certain State-aided rental housing projects are eligible to participate in this program.

Also this program is replete with safeguards. Tenants' incomes would be reexamined at least every 2 years to adjust the rentals and any rents collected in excess of basic charges would be returned to a governmental revolving fund. And project owners must at all times meet the requirements set by the Secretary as to tenant eligibility and rents.

The advantages of subsidizing mortgage interest obligations rather than the present method of financing below-market interest rate mortgages are numerous:

First. Rentals can be reduced while increasing the participation of the private sector in financing these projects.

Second. With the same amount of Federal resources we can produce far more dramatic results in improving housing conditions.

Third. It permits a more equitable allocation of assistance with subsidies being reduced as tenants' needs diminish.

RENT SUPPLEMENTS

Mr. Chairman, the rent supplement program, just 2 years in operation, has admirably demonstrated its value. It has proven to be one of the most imaginative, flexible, and sound instruments for providing housing to poor people in the 30 years of legislation in this field. To mention but a few of the benefits:

Rent supplements filled a basic void in the tools America has for dealing with the desperate housing needs of low-income families.

Rent supplements eliminated the cost barrier which kept private enterprise from serving the low-income housing market directly.

Rent supplements provide incentive for poor families to improve their earning capacity by removing the specter of enforced dislocation back to slums when incomes exceed a fixed limit.

More importantly, it enables low-income families to obtain decent housing in a normal environment, and without identification or the implied label of a "project family."

The innovative feature embodied in the program is a supplement to make up the difference between the family's payment for housing, and the market rent for the unit needed.

The program is flexible. As family incomes go up, it pays a larger part of the rent and the supplement decreases. Eventually, the supplement ceases when the tenant is able to pay the full rental. Low-income families are able to continue to live in their apartments, and even purchase them.

The program is sound and gives the private sector its first effective vehicle for improving housing conditions of the very poor. This is in the best American tradition. The record so far clearly shows the willingness of private enterprise to respond to this challenge.

During 1966, Congress voted $32 million to get the rent supplement program underway. It was a modest amount, considering the need, but many felt it would form the basis for a test. The $32 million was exhausted in less than a year.

In 1967, Congress appropriated another $10 million for the program. This amount has been depleted.

Now title II provides for increased rent supplement contract authority of $40 million on July 1, 1969, and of $100 million on July 1, 1970. This amount is realistic. It will help us make substantial progress in meeting this well documented demand for decent housing.

PUBLIC HOUSING

Of special importance is the authorization of grants to finance a tenant services program for those families living in public housing. Under this program, $20 million in fiscal year 1969 and $40 million in fiscal 1970 would be made available to provide counseling and referral services to development residents so that they might take better advantage of job, health, and education opportunities. It would also help and encourage them to become involved, personally and responsibly in the day-to-day problems of the projects where their lives are spent. In this way, residents of public housing developments could begin to establish a sense of community spirit and pride in their neighborhood. They could shake off the shackles of isolation from their neighbors and the community that surrounds them. This proposal adds an important new dimension to our entire efforts to build better lives as well as better houses.

Also included in title II is a provision for increasing public housing authorization—by $100 million on enactment of this bill and by $150 million on July 1, 1969, and on July 1, 1970. Public housing has long been recognized as an essential tool for providing decent housing for low-income families at rents they can afford. This increase is crucial if we are to meet our long-range goal of six million federally assisted units in the next 10 years.

URBAN RENEWAL

Of tremendous significance in title IV is the provision for a neighborhood development program—a new financial approach for renewal projects. This would allow cities with large blighted residential neighborhoods that are to be renewed primarily for the benefit of existing residents to develop annual action programs. This is but a new way of carrying out urban renewal with basic difference being its emphasis on activities scheduled each year, rather than for the totality of the project.

This new program resulted from local complaints that the present urban renewal program—with its requirements for detailed planning before actual renewal activities can take place—does not lend itself to dealing with large residential areas where deterioration and

blight are evenly distributed. With this new neighborhood development program a community can receive funds for activities in an urban renewal area on the basis of a broad plan specifying major land uses, density of development, and the public facilities proposed for the area. Detailed planning and scheduling of subsequent activities could proceed simuletaneously with actual development in the area.

As I see it this new renewal approach would—

Enable local communities to take rapid, visible action to upgrade housing in urban renewal areas and provide psychological impetus to the project;

Provide good housing for low- and moderate-income families now living in substandard conditions in the least possible time; and

Help prevent further deterioration or decline in the neghborhood during the planning stage.

Also included in this title are increased authorizations of $1.4 billion in urban renewal grants for fiscal year 1970 and of $350 million in grants for urban renewal projects in model cities areas to be effective on enactment.

These increases are crucial in our efforts to rebuild our blighted areas of our cities. Over the years urban renewal has meant the rebuilding and revitalization of many downtown areas in the Nation's cities. It has resulted in the restoration of industrial and commercial complexes. It has brought about the public and private construction of new housing, as well as the rehabilitation of usable housing.

Finally, it has rejuvenated many ailing neighborhoods and put them on the road to good health.

We have found that urban renewal has a contagious effect. When a blighted neighborhood is improved, the positive effects are felt by adjoining areas, and the spirit if improvement spreads.

And the increased grants for urban renewal projects in model cities areas holds special importance in this new program.

Other improvements in the urban renewal program are included in title IV:

Rehabilitation grants are authorized for low-income homeowners wanting to make repairs and improvements on their homes in deteriorating neighborhoods but whose homes are located outside urban renewal and code enforcement areas. The bill also increases the maximum grant from $1,500 to $3,000.

Interim assistance is made available for alleviating harmful conditions in blighted areas where renewal or code enforcement is planned but immediate action is needed.

Increased emphasis is placed on providing housing for low- and moderate-income families through a requirement in the bill that a majority of all units provided in a community's future residential reuse urban renewal projects must be for these income groups, including at least 20 percent for low-income families and individuals.

COMPREHENSIVE PLANNING AND PLANNED AREAWIDE DEVELOPMENT

Title V provides for comprehensive planning and planned areawide development programs to encourage more systematic and coordinated planning by communities.

The comprehensive planning program is revised to remedy the present lack of planning assistance for rural areas by providing grants to district planning agencies that serve rural and other nonmetropolitan areas. These grants will be channeled through State planning agencies to assure maximum coordination with State programs.

Also comprehensive planning grants could be made directly to cities within metropolitan areas, to regional and district councils of government and to tribal planning councils and other tribal bodies for planning on Indian reservations.

Supplemental grants to encourage planned areawide development would be made available for federally assisted projects in all multijurisdictional areas—contrasted with metropolitan areas as at the present—that show public facilities are being provided in a planned, coordinated fashion. Supplementary grants can cover up to 20 percent of the cost of those projects now assisted under certain Federal grant programs for public facilities, but not in excess of 80 percent when added to those regular Federal grants.

These proposed amendments will close gaps in our planning assistance programs and will offer a number of important benefits. Rural areas now suffering serious problems of outmigration and underutilization of present resources will have available new sources of planning assistance. And a broadened definition of comprehensive planning will allow for full evaluation of human, as well as physical resources and needs. Also, multijurisdictional areas, not just metropolitan areas, are faced with the problem of accelerated growth and the need for proper planning for growth. Making incentive grants available to communities in all these areas will encourage proper planning and coordination for public facilities.

Local planning, local initiative is a prime goal if we are to achieve the kind of healthy, orderly growth that is the basis of national progress. That is the promise of both these programs.

I am especially pleased that the committee bill provides for a substantial increase in the grant funds available for the water and sewer program so vitally needed for cities and towns of all sizes. The bill would increase a grant authorization from $200 million to $500 million for each of the fiscal years 1968 and 1969, and also extends the program through fiscal year 1970.

FEDERAL NATIONAL MORTGAGE ASSOCIATION

Title VII of the bill would take an important step toward the realization of the intent of Congress in rechartering the FNMA in 1954. That act contemplated that eventually FNMA's secondary market operation would become wholly private. This bill provides for an end to the present mixed ownership of FNMA under which all of the stock would become privately held as soon as possible. Because some Government assistance would still be available to this privately owned FNMA, certain controls are retained in the Department of Housing and Urban Development under the bill.

The present special assistance and management and liquidating functions would be retained entirely within the Department in the new constituent agency—the Government National Mortgage Association.

Section 704 of the bill provides for the issuance and sale of securities backed by FHA-insured and VA-guaranteed mortgage loans by the Federal National Mortgage Association and issuers approved by GNMA. The purpose of this provision is to enlarge sources of mortgage funds. It is essential, therefore, that the terms of these new mortgage-backed securities be carefully designed so as not to compete directly with savings accounts of mortgage-oriented thrift institutions which already channel the bulk of their funds into the housing market. Rather, terms and conditions of these securities must be tailored to maximize competition with other capital market instruments typically purchased by pension funds, trust accounts, and other large investors which have not heretofore been mortgage-oriented in their investment policies.

Thus, it is extremely important that FNMA, which will guarantee the new securities as to principal and interest and will establish their terms, issue the securities only in large denominations suitable for institutional and other large securities-oriented investors. In addition, maturities and other terms of these securities should be designed by FNMA to minimize competition with savings accounts.

NATIONAL HOUSING PARTNERSHIPS

An important innovation in H.R. 17989 is the provision in title VIII for the creation of national housing partnerships. These privately funded national housing partnerships could mobilize private investment to begin producing low- and moderate-income housing in substantial volume—operating with and without Federal assistance.

They could serve as a catalyst for the formation of local organizations all across the country to provide needed sources of equity capital for management skills and technical expertise where necessary. And by devoting themselves solely to producing low- and moderate-income housing, the partnerships could recruit a top-flight staff who would make careers in the low- and moderate-income housing field. Another important advantage is that with nationwide markets these partnerships can realize the economies of scale inherent in volume construction and purchasing.

Some questions have been raised that this program might create monopolistic enterprises, confer special privileges, and compete with existing organizations. Such criticism is unfounded.

This program provides for the creation of as many national housing partnerships as may be necessary. No special privileges are conferred on the partnerships—they will receive no benefits from the Federal Government that are not already available to limited profit corporations and associations. Also included are provisions for maximum participation by local interests in these undertakings with the intention that partnerships will supplement and support, rather than compete with, existing organizations.

URBAN PROPERTY PROTECTION AND REINSURANCE

The establishment of a national insurance development fund is authorized in title X to carry out the urban property protection and reinsurance programs.

The urban property protection program encourages State insurance authorities and private property insurance industries to make available adequate property insurance against fire, crime, and other perils more readily available for residential, business, and other properties meeting reasonable underwriting standards.

Also it provides for a Federal program of reinsurance against abnormally high property insurance losses resulting from riots and other civil commotions.

Mr. Chairman, other Members will speak in more detail on this important title of the bill.

NATIONAL FLOOD INSURANCE

Title XI provides for a national flood insurance program to enable persons to purchase insurance against damage and loss of property arising from a flood.

A national flood insurance fund would be created for making payments authorized by the bill, including premium equalization payments and reinsurance for losses in excess of losses assumed by insurance company pools formed to provide flood insurance.

Also, State and local governments would be encouraged to adopt measures that would constrict the development of land which is exposed to flood damage, that would guide the development of proposed construction away from locations threatened by flood hazards, that would assist in reducing damage caused by floods, and that would otherwise improve land management and use of flood-prone areas.

MORTGAGE INSURANCE FOR NONPROFIT HOSPITALS

The bill would also authorize a new program of FHA mortgage insurance to encourage the construction of hospitals by nonprofit groups. Insured loans can cover the cost of major equipment and can be insured for 90 percent of replacement cost.

There is a serious shortage of hospital facilities in the Nation and the committee felt that this new program would help relieve the situation. The committee also made it very clear in its report that we have no intention of in any way undermining the very successful Hill-Burton grant program which has done an outstanding job but it unfortunately has never been given adequate funds by the Congress to provide the hospital facilities which are desperately needed in many communities.

MODEL CITIES

Finally, I want to briefly discuss the supplemental grants for model cities that would be increased under the provisions of title XV. One billion dollars is authorized for fiscal 1970, with an additional $12 million authorized in fiscal 1969 for planning grants to model cities.

Initially authorized in 1966, the model cities program holds great promise for becoming the most effective and flexible tool we have yet been able to give the cities for meeting their problems. Experience taught us that the series of single programs for single problems produced fragmented results that failed to meet the real needs of the city and the people that live there. The model cities program has allowed cities to blend these programs to best advantage and also has encouraged them to go beyond existing programs to find new solutions tailored to their own needs.

Since this program began, a large number of cities and counties have gone through the rigorous process of studying their problems and suggesting approaches for solving them. Unfortunately not all cities could be successful in their applications for model cities planning grants, but some 75 cities are now planning to improve the lives of some 4 million people that live in their target areas. These cities and the others that will follow will be able to demonstrate new techniques, and lead the way for other cities in their fight against poor housing, inadequate schools, unemployment, and sickness.

No one answer, no panacea, exists. A small town will have different ideas than a major metropolis, and the model cities program is flexible enough to accommodate a wide range of approaches. The result will be a rich store of experience from which other cities, not just large cities, but medium-sized and small, can learn.

The innovative qualities of the first and second round model cities indicate that our cities are not only willing to meet the challenge of the model cities program, but have the capability to succeed. We owe it to these cities to see that their potential becomes reality by authorizing the $1 billion and the additional $12 million for planning grants.

Mr. Chairman, I have but briefly sketched some of the provisions included in this massive legislative package. H.R. 17989 is one of the most comprehensive housing bills ever to be reported from the Banking and Currency Committee. I commend the committee members and especially the Housing Subcommittee that devoted many long hours in developing this legislation.

And I urge my colleagues to join with me in supporting this legislation. It is a unique opportunity for the 90th Congress to act favorably on a bill of far-reaching consequences. It provides this Nation with a blueprint for action—

A program for attacking the cycle of deprivation;

A program for directing the surge of urban growth; and

A program for providing every American with a decent home and a suitable living environment.

As President Johnson so eloquently noted:

> If the promise of the American city is to be recaptured—if our cities are to be saved from the blight of obsolescence and despair—we must now firmly set the course that America will travel.
>
> There is no time to lose.

This is the opportunity and the challenge before us today. We will have responded adequately to this challenge by acting favorably on the Housing and Urban Development Act of 1968.

Mr. Chairman, I reserve the remainder of my time.

Mr. WIDNALL. Mr. Chairman, I yield myself such time as I may require.

Mr. Chairman, I have previously announced my own support for H.R. 17989. My reasons for so doing are outlined in the supplemental view that is appended to the report that comes in with this bill. As I stated in submitting those views, I believe on balance that the bill is both necessary and worthwhile. My reasons are the same as those contained in the report, but because of its scarcity, I think it wise to repeat them now.

Before starting on those views I would like to commend the chairman of the subcommittee, the gentleman from Pennsylvania, Congressman BARRETT, for the very energetic and dedicated work which he did in formulating this bill. He was a very fair chairman, and he gave every opportunity to the members of the minority as well as the majority to express their views and offer amendments and to have full discussion of the same.

In supporting H.R. 17989, I am not unmindful of the fact that reasonable men may differ over certain provisions, or that new programs authorized or old ones extended by the measure are open to constructive criticism relating to conception and execution. On balance, however, I believe the bill is both necessary and worthwhile. It has benefited from ideas and proposals offered by the minority, and I think it is appropriate to call particular attention to this fact.

Foremost among these minority suggestions has been the concept of fostering on a major scale homeownership among low- and moderate-income citizens. Homeownership as a desirable goal is an idea deeply rooted in American tradition. For the low- and moderate-income citizen, particularly the minority group citizen, this has become increasingly the impossible dream.

Statistics show that the percentage of existing one-family homes insured by FHA for families with incomes less than $4,000 fell from 42.8 percent of the total in 1950 to 1.3 percent in 1966. For new homes, the drop was from 56 percent to 1 percent in the same time period.

In order to reverse this trend, I introduced H.R. 8820, the National Home Ownership Foundation Act, on April 20, 1967. One hundred and thirteen other House Members, including eight members of the minority of the Banking and Currency Committee, joined in offering a similar bill at that time.

The proposal had as its basic goals the enlargement of housing opportunities and choice for our lower income families, both rural and urban. We propose to tap private capital, private management and technical experience, and private, community-oriented initiative. The Government role was to be limited to one of stimulus and reinforcement, rather than execution and control.

The National Home Ownership Foundation Act proposal, besides its basic change in policy advocating homeownership in contrast to traditional federally

assisted renter-oriented projects, contained a number of innovative features. In summary they were as follows:

First. The establishment of the National Home Ownership Foundation, a congressionally authorized nonprofit corporation, with a board of directors drawn from the private sector. Besides making mortgage capital available, the Foundation was to conduct a technical assistance service to aid in the development and formation of low- and moderate-income homeownership programs, including interim planning loans, and the conduct of supporting programs in such fields as training, employment, credit counseling, and budget management to enable lower income families to assume the priviliges and responsibilities of homeownership.

Second. Authority to the Foundation to raise $2 billion in mortgage loan funds through the sale of its debentures, guaranteed by the Federal Government to supplement available moneys from existing mortgage lending institutions. The object was to bring together in one coordinated effort, and one pool of funds, sufficient capital to carry out a major lower income homeownership program. It was expected that the federally guaranteed bonds, carrying a market rate of return, would attract new capital, for the mortgage market, from such sources as union pension funds.

Third. A market-interest-rate mortgage, with a direct subsidy paid by the Treasury to the holder of the mortgage, thus lowering the interest rate and monthly payments for the home buyer. The purpose was to avoid the major budget impact that accompanies the use of the below-market-interest-rate mortgage program involving Federal National Mortgage Association purchase of these mortgages, utilizing special assistance funds. Thus, each Federal dollar would have a multiplier effect many times greater than the BMIR mortgage purchase dollar, a major accomplishment in a time of expenditure curtailment. The interest subsidy would be repaid into a revolving fund, if and as the buyer reached an adequate income level, prescribed as 70 percent of existing 221(d)(3) program income limits.

Fourth. Maximum utilization of community-based or neighborhood nonprofit corporations, including technical assistance for their development and operation of lower income homeownership programs.

This would also provide an opportunity for the prospective home buyers in the area to have a voice in the conduct of the program. It would also enlist the aid, expertise, and financial backing of local community leaders in Government, business, labor, civic organizations, the professions and the like, to build a partnership within the private sector at the national and local levels.

Fifth. Authority to develop a program of mortgage equity payment insurance, to protect the home buyer from losses of income due to illness, death, unemployment, and other causes not within the home buyer's control. To the greatest extent possible, the Foundation was directed to work out the program with the private insurance industry, and report back to Congress.

Sixth. Utilization of the urban renewal program as a means of obtaining land and buildings at reasonable prices to lower the cost of construction, rehabilitation, or the use of existing housing for the homeownership program.

Seventh. Increase employment opportunities and the use of self-help for area low-income residents and prospective home buyers.

Although the Department of Housing and Urban Development greeted the NHOF proposal last year with skepticism both for its technical provisions and its goal of lower income homeownership, sufficient support from a variety of groups and individuals within the American public appear to have changed the administration's mind. The cumulative result can be seen in H.R. 17989. In summary, the similarities between the committee bill and the proposal outlined above are as follows:

First. The committee bill establishes, in title I, section 107, a National Home Ownership Foundation. Its purposes follow those suggested for the technical assistance service under the minority's NHOF bill of last year. The Foundation is directed to encourage and assist public and private bodies at the national, community, and neighborhood levels in initiating, developing, and conducting programs to expand low-income homeownership and housing opportunities. This includes arrangements for technical and managerial assistance and training, aid in finding mortgage financing, insurance, and the like, encouraging research and innovation, collecting and distributing information, and assistance in expanding job opportunities.

The Foundation may make loans or grants to cover organizational or administrative expenses for homeownership programs, necessary preconstruction costs including land options, architectural fees, and similar items, and the costs of providing counseling to lower income families in budget management, home maintenance, and home management. The bill authorizes $10 million in appropriations.

Second. The committee bill in title VII, authorizes the new Government National Mortgage Association to guarantee securities issued by FNMA or other private issuers, backed by a pool of FHA and VA loans or mortgages. The purpose is the same as that of the NHOF-guaranteed debentures suggested by the minority; namely, to increase the supply of mortgage funds and tap new sources such as pension funds. It is permissive only, limited in scope, and the funds raised would not be limited to use for lower income homeownership. The Department, in the hearings, admitted to not knowing what amount of additional funds this approach might attract.

As a result, it is unlikely that the massive attraction of new funds for lower income homeownership envisioned by the sponsors of the National Home Ownership Foundation Act last year will occur under this bill. The FHA insurance provisions in title I also depend upon existing lenders and mortgage money supply. This makes all the more important the direction in section 107(f)(2) to the Foundation to report to the Congress whenever insufficient funding is available for lower income homeownership purposes. The Foundation is also directed to make recommendations for alternate means of securing adequate financing.

Third. The committee bill, in title VIII, authorizes the establishment of a private corporation for profits which is designed to encourage a partnership approach among interests in the private sector at the national and local level, in order to encourage low-income housing. Part of the purpose of the National Home Ownership Foundation authorized by the bill is also to encourage private involvement, including the development of neighborhood organizations interested in homeownership programs, which would involve the citizens themselves from the area. Maximum utilization of area residents or the lower income families to be served by the program is not pronounced as a major goal in the committee bill, however, in contrast to the NHOF proposal of last year.

Fifth. By amendment to title I of section 109 offered by the gentleman from Michigan, Representative GARRY BROWN, the minority obtained inclusion in the bill of an authorization to the Secretary of HUD to develop, in cooperation with the private insurance industry, a plan of insurance to help homeowners meet mortgage payments in times of personal economic adversity.

The Secretary is directed to report back within 6 months on his actions. This provision was secured in the bill despite the objections of the Department of Housing and Urban Development, objections which, in turn, persisted, despite the evidence that such a plan was necessary and capable of being etsablished, and despite a favorable report in the early 1960's, commissioned by the Housing and Home Finance Agency, forerunner of HUD.

Sixth. The committee bill, in section 405, amends the urban renewal law to permit land to be sold to qualified low-income mortgagors and nonprofit sponsors of homeownership program and, by an amendment I offered, private homebuilders acquiring land for subsequent resale to low- and moderate-income home buyers.

Seventh. By an amendment which I offered, section 3 was added to H.R. 17989 which requires, to the greatest extent feasible, the employment of lower income residents from the area served not only by homeownership activity but other federally assisted housing projects as well, in jobs created by these projects. The possibility of the home buyer contributing his own labor toward the cost of his housing has also been recognized in section 2 and in title I.

There is one question that I think should seriously be considered—Can HUD carry out the program?

One of the purposes behind establishing the National Home Ownership Foundation in the minds of its cosponsors last year, was to provide a quasi-public alternative to direct Federal bureaucratic

control by the Department of Housing and Urban Development. The sponsors of the NHOF bill were not alone in questioning the capacity or will of the Department to carry out an expanded program of housing for low-income citizens. This presents a considerable challenge to the Department, in carrying out the proposals authorized in H.R. 17989.

While the Department's testimony before our committee has been reassuring, the continued opposition of HUD to my 1966 amendment requiring a substantial number of low- and moderate-income housing in each predominantly residential urban renewal project has had the opposite effect. As the committee report notes, the definition of substantial as only 20 percent of the project-units is hardly in keeping with the dramatic need for more and better housing for our underprivileged citizens. The change contemplated by section 413 of this bill increases this percentage to 51 or better for the aggregate number of units in approved projects within a community; that is, projects which have had their plans approved by the Department, not those which are only in the planning stage.

Mr. LENNON. Mr. Chairman, I make the point of order that a quorum is not present.

The CHAIRMAN. The Chair will count.

Thirty-seven Members are present, not a quorum. The Clerk will call the roll.

The Clerk called the roll, and the following Members failed to answer to their names:

[Roll No. 231]

Abbitt	Farbstein	McMillan
Albert	Fino	Mathias, Md.
Anderson, Ill.	Flood	Michel
Anderson, Tenn.	Fulton, Tenn.	Miller, Calif.
Andrews, N. Dak.	Gardner	Mink
Ashley	Getty	Mize
Baring	Gibbons	Moore
Bates	Green, Oreg.	Passman
Bell	Grover	Pettis
Blanton	Gurney	Pickle
Bow	Halleck	Podell
Brademas	Hanna	Pool
Bray	Hansen, Idaho	Pryor
Brock	Hansen, Wash.	Railsback
Carey	Hardy	Rarick
Cleveland	Hawkins	Reinecke
Collier	Holland	Resnick
Conyers	Hosmer	Ronan
Corman	Howard	Roybal
Cramer	Hungate	Satterfield
Cunningham	Jarman	Scheuer
Dawson	Jones, Mo.	Smith, Okla.
Dellenback	Karsten	Steed
Devine	Keith	Teague, Tex.
Diggs	Kelly	Thompson, N.J.
Dole	Kluczynski	Tuck
Eckhardt	Kornegay	Tunney
Edmondson	Kupferman	Van Deerlin
Edwards, La.	Landrum	Waggonner
Esch	Lipscomb	Watkins
Evins, Tenn.	Long, La.	Willis
	Lukens	Wolff
	McCloskey	

Accordingly the Committee rose; and the Speaker having resumed the chair, Mr. PRICE of Illinois, Chairman of the Committee of the Whole House on the State of the Union, reported that that Committee, having had under consideration the bill H.R. 17989, and finding itself without a quorum, he had directed the roll to be called, when 338 Members responded to their names, a quorum, and he submitted herewith the names of the absentees to be spread upon the Journal.

The Committee resumed its sitting.

The CHAIRMAN. The gentleman from New Jersey [Mr. WIDNALL] will continue.

Mr. WIDNALL. Mr. Chairman, the new amendment to section 413 of the bill was worked out in conjunction with the gentleman from Wisconsin, Representative HENRY REUSS, as a bipartisan statement of congressional intent, and it also contains a 20-percent minimum aggregate for low-income housing suggested by the gentleman from Tennessee, Representative WILLIAM BROCK. It is perhaps the best example I know of in the bill of bipartisan, congressional initiative in the legislative field. Certainly, all of the other low-cost housing programs will come to naught if land or structures are not assembled and made available at low cost, which is the major benefit of urban renewal use.

Two other amendments which I offered and which have been accepted in title I deserve mention, if only because of the opposition by HUD to their inclusion. The first opens the homeownership sections up to utilization of existing housing, as well as housing involving new construction or substantial rehabilitation. A survey made by my office among District of Columbia real estate agencies indicated the availability of houses selling for under $18,000 and needing little repair, if any. It also uncovered the potential availability of many more renter-occupied houses, which would come on the market if these very same renters had access to mortgage funds. Negro real estate brokers were particularly conscious of this opportunity. The use of existing housing will also mean, as the U.S. Civil Rights Commission has pointed out, the immediate implementation of the new homeownership program. Certainly in this time of tension and trouble within our cities, any tool that can provide an immediate impact, and thus new hope to the less fortunate, should be welcomed. Will the Department of Housing and Urban Development heed this opportunity? Only time will tell.

Another amendment makes nonprofit groups eligible for inclusion in the program for homeownership financing that wish to use existing housing instead of taking on the task of rehabilitation in a multiunit project. It is my expectation that as these nonprofit groups, whether church or labor union, or civic association sponsors, gain in confidence and experience, they will move on to the more demanding but no less important task of increasing the supply of standard housing for homeownership purposes.

THE RENT CERTIFICATE PROGRAM

In 1964, I, with other members of the Republican minority introduced the rent certificate plan. It became legislation in 1965 and has since made a great record for something that was opposed by the administration and generally not promoted by them. To date, it has far outstripped its companion legislation, rent supplements, in terms of people housed, having provided shelter for over 16,000 families while the rent supplement total is just over 2,500. This means that the rent certificate program is responsible for placing over 60,000 people in decent, safe, and sanitary housing that they did not have previously.

In the present bill there are three sections, 208, 209, and 210 which are perfecting amendments that I introduced to facilitate the operation of the program.

Where the Secretary had previously restricted the program in certain localities to rehabilitated housing, on the completely unjustified claim that it would cause rents to rise, section 208 makes clear that he can no longer impose such regulations unless it is specifically so provided in the act.

Where HUD had taken the position that it could not use the program unless in quantities of 10 or more units, section 209 makes clear that it can.

In section 210, we have acted to enable tenants to become purchasers of the homes they occupy through the medium of the local housing authority. This innovation was prompted by spontaneous offers from builders in all parts of the country, attracted by the economics of the operation, to build for leasing purposes.

Now where the housing authority deems it advisable, it may include in its lease an option to purchase to be exercised when desirable in behalf of the tenant.

This latter provision could be used even in multi-family structures where tenants, so desiring to act, occupy units having more than 80 percent of the total value of the structure.

WATER AND SEWER GRANTS

Section 505 ups the matching sewer and water grants from $200 million annually to $500 million annually. I do not particularly like to increase authorizations beyond the departmental recommendations. In the case of this program, however, I am quite ready to make an exception. This is a vital program. Upon it have depended at times, the question of whether or not a city would have to import water for drinking purposes.

The administration has not only given this program a low priority. It has asked for only half the funds which Congress authorized when appearing before the Appropriations Committee. This in the face of applications from needy communities which numbered over $4 billion. There is to my knowledge not a single congressional district that does not have an application for water-and-sewer funds and many are most desperate. Under the circumstances, I think the increase I have suggested is most modest and I know it is badly needed.

NATIONAL FLOOD INSURANCE

It was with a deep sense of personal satisfaction to me that the Committee on Banking and Currency adopted my amendment, in the form of a proposed title XI, national flood insurance.

Members of the House will recall that the proposed national flood insurance legislation passed the House—H.R. 11197—and the Senate in 1967 but because of far-reaching changes made by a House floor amendment in the financing mechanism in the House bill efforts to resolve the differences between the House and Senate versions in conference have been abandoned. In short, prior to inclusion of title XI in H.R. 17989, most observers conceded that flood insurance legislation had little if any chance of enactment in the 90th Congress.

As an original cosponsor of a national flood insurance program, the events leading up to the current legislative statement are indeed regrettable. Within the past month the State of New Jersey experienced its worst natural disaster of the 20th century sustaining more than $150 million in flood damage to private and public property. Having personally witnessed the human tragedy and wide-scale property damage in the wake of these devastating floods, my belief in the urgency of a national flood insurance program was further sustained.

When the House last November rejected the proposed financing through Treasury borrowing authority contained in the flood insurance bill, the circumstances surrounding that action were far different than those which prevail today. I refer to title X of the proposed housing bill where the Congress is being asked to approve Treasury borrowing authority in order to finance a national program of riot reinsurance. While I support title X, I think it would be uncharacteristically inconsistent for a majority of the House of Representatives to support Treasury borrowing authority for riot insurance, while rejecting this form of financing for a national flood insurance program of far more modest proportions.

In this regard, we should keep in mind that flood insurance proposals have been before the Congress for more than 10 years, long before any thought whatsoever was being given to the need for a Federal program of riot insurance.

Stated in its most candid terms, if the Congress of the United States can see its way clear to underwrite insurance protection again lawlessness in our cities, it can ill afford to turn a cold shoulder on the personal grief and tragedy of those of our law-abiding, taxpaying citizens who experience huge property losses caused by floods, or by what are said to be "acts of God."

I urge very serious consideration of this bill and any amendments that will be offered and I urge its passage.

Mr. STANTON. Mr. Chairman, will the gentleman yield?

Mr. WIDNALL. I yield to the gentleman from Ohio.

Mr. STANTON. Mr. Chairman, I take this time to compliment the gentleman from New Jersey, the ranking minority member of the House Banking and Currency Committee, who is now in the well of the House. I am sure that most members of the committee realize that this distinguished gentleman is responsible, perhaps more than any other Member of the House, for many of the new titles that are in H.R. 17989. I refer specifically to the Home Ownership Act. The gentleman is also, as he stated, the author of title XI, the Flood Insurance Act. He was most responsible in our committee for the water and sewer increase in funds. The gentleman in the well was also originally responsible for the rent certificate program which, as he has stated, provides income housing for over 60,000 people in this country.

Mr. Chairman, I rise in support of H.R. 17989.

(Mr. STANTON asked and was given permission to revise and extend his remarks.)

Mr. MESKILL. Mr. Chairman, will the gentleman yield?

Mr. WIDNALL. I yield to the gentleman from Connecticut.

(Mr. MESKILL asked and was given permission to revise and extend his remarks.)

Mr. MESKILL. Mr. Chairman, because this measure contains a provision of vital importance to the Nation's businessmen and to the insurance industry—namely, Federal riot reinsurance—I would like to take a few minutes of time to stress the necessity of approving title X of the bill, as reported by committee.

The purpose of the bill is to provide Federal backing to enable the insurance industry to underwrite riot insurance in areas of potentially calamitous damage.

Many smaller companies could easily be wiped out by large-scale civil disorders such as we have already had in many cities. Consequently, policies are being canceled, or not renewed, or renewed at premium rates up to five times previous rates.

The economic and social consequences are obvious: without insurance, there can be no financing of businesses in riot-prone areas. The conditions which contributed to the social unrest thus are allowed to continue and would be made worse if not corrected.

There is another angle which leads to the Government's moral responsibility. This is the fact that, on occasion, the Government has taken a soft line in the matter of preventing riots and protecting property. Where the Government refuses to maintain law and order, it has an obligation to take other steps to permit the conduct of business and the improvement of communities.

The riot reinsurance provision has been carefully drawn to meet this problem. Here is how it would work:

The insurance industry would pay premiums into the national insurance development fund created by the bill. The amount of premiums would be negotiated with the Secretary of Housing and Urban Development.

The bill provides, however, that the fund is to be maintained at a level at least equal to the amount of the insurance losses from the 1967 riots, a minimum of $75 million. It is anticipated that during the first year of operation the fund would be built to at least $100 million.

In the event of riot damage the insurance company would pay up to an amount equal to 3 percent of premiums earned on reinsured lines plus 10 percent of the total losses in the State in which the riot occurred. Insurance companies thus would be liable for an amount in excess of the $75 million sustained in the riots of 1967. Any additional losses would be paid by the State in an amount up to 5 percent of the premiums earned in the State during the previous year on those lines of property insurance for which riot reinsurance is offered.

Each State, of course, would have to authorize its own participation. No difficulty is anticipated on this point, it being greatly to the interest of the States to participate.

A State may deduct from its 5-percent share the amount of premiums paid by the insurance industry within the State to the fund in those consecutive prior years in which there were no property losses or in which premiums so paid exceeded property losses. Thus, it is conceivable that a State would pay nothing.

After the companies have paid their initial retention and the State has paid its share, the fund would be used. If losses exceeded the resources of the fund, the balance would be paid by the Treasury, which would loan up to $150 million to the Secretary of HUD. Such borrowing by HUD would be repaid from future premium income to the fund. Authority to borrow more than $150 million would have to be authorized specifically by Congress. This financing feature is probably the most controversial part of the bill. I am convinced, however that this method of financing is not subject to abuse because it would apply only to very specific circumstances. By departmental estimate, losses would have to reach beyond $200 million before such financing would be needed. There seems to be no other practical solution to the problem.

It would provide the strong underpinning which is absolutely necessary to enable the private insurance industry to offer coverage in this area. Indeed, this solution offers the Government a very strong incentive for providing property protection and maintaining civil order.

My conversations with leaders of the insurance, banking and building industries leave me in no doubt about the need for swift passage of this legislation.

Mr. DON H. CLAUSEN. Mr. Chairman, will the gentleman yield?

Mr. WIDNALL. I yield to the gentleman from California.

(Mr. DON H. CLAUSEN asked and was given permission to revise and extend his remarks.)

Mr. DON H. CLAUSEN. Mr. Chairman, I rise today in support of the Housing and Urban Development Act of 1968 (H.R. 17989) and want to take this opportunity to commend the House Banking and Currency Committee for reporting out this unique and far-reaching legislation that has been described as "a test to determine whether or not America intends to meet its pressing national obligations."

In my judgment, this act goes a long way in "helping people to help themselves." It deals directly with some of the major problems in America today and it embodies principles and procedures that I have advocated and supported for many years. Namely, among these, is a Government program that combines federally backed private investment.

Certainly, the requirement provisions for low- and middle-income citizens to own their own homes is long overdue. Quite frankly, I am pleased to note that the Congress is now thinking in terms of homes—not just housing. I am pleased that the equity factor has been included in this legislation and that

home building and home buying in rural areas has also been considered.

In April of 1967, I enthusiastically cosponsored the National Home Ownership Foundation Act which, as with this legislation, was designed to enhance the opportunity for low-income families, both rural and urban, to buy their own homes through a privately financed and privately managed Government underwritten program. It is truly encouraging to note that many of the more salient features of our National Home Ownership Foundation Act have been included in the Housing and Urban Development Act of 1968.

I have called this legislation unique and far-reaching. I do so because I believe it denotes America's determination to turn back the spread of slums and urban blight that, for too long, have prevented low-income citizens, impoverished minorities, senior citizens, and others of meager means from owning their own homes. Clearly, this legislation brings a decent home within the reach of every American family.

With nearly half of the substandard housing in this country and nearly half of the poor people in America living in rural areas, this dramatic new approach with its comprehensive planning and public participation, will open up vast, new opportunities for home ownership, and rental housing not now available to many rural areas and small towns.

Quite frankly, this legislation goes a long way in rejecting the myth underlying past housing programs that private industry cannot participate in providing decent homeownership for America's low and moderate income families. The bulwark of the American free enterprise system will rise to this challenge, as will organized labor. In particular, the AFL–CIO testimony in support of this legislation before both the House and Senate, makes indelibly clear the confidence and determination of America's workmen to meet the challenge of this new program.

There is also contained in this legislation, a positive program for college housing that I believe will greatly enhance educational institutions in keeping pace with present and future needs for available living space for students. This bill will supplement the present program of 3-percent direct loans for college housing with a new provision for interest subsidies for privately financed housing that will reduce the effective rate to the college to 3 percent.

Another much-needed provision in this Housing and Urban Development Act of 1968 is a new program of Federal assistance to private insurance companies which encourages them to write property insurance in areas threatened by high flood risks. This program has particular significance for my congressional district which has undergone some of the worst flash-flooding in America in recent years. As such, I have participated in the rebuilding effort that must follow every flood and I am acutely aware of the vital need for this insurance coverage that can now be made available and within the reach of those who are annually threatened by flooding.

This new flood insurance program is an outgrowth of the study done in the House Flood Control Subcommittee on which I serve as the ranking minority member and represents the culmination of more than 2 years of effort on our part to get a meaningful flood insurance bill through the Congress.

In closing, Mr. Chairman, I wish to briefly address myself to the only section of this legislation for which I have reservations. Title X of the Housing and Urban Development Act authorizes a program for Federal reinsurance in areas threatened by riots and civil commotion. While I fully appreciate the risks faced by the smaller insurance companies providing property coverage in urban riot areas, I would hope that this legislation does not, in the final analysis, have the effect of encouraging more rioting or more wanton destruction in any riots in the future.

In spite of this deep concern and my reservation regarding title X, Mr. Chairman, I am pleased to lend my support to this creative, innovative, and substantive legislation. It is my earnest hope that the Housing and Urban Development Act of 1968 will set the stage for similar legislation in the future. A significant and meaningful step has been made in this act toward "turning the corner" in the direction of greater emphasis on private initiative and renewed faith in the ability and desire of each and every citizen to enjoy the fruits of a richer participation in the American way of life.

I am one of those who believe that we can do better than we have done in the past, and I am convinced that this legislation is an excellent place to begin.

Mr. PATMAN. Mr. Chairman, I yield 15 minutes to the gentleman from Pennsylvania [Mr. BARRETT].

(Mr. BARRETT asked and was given permission to revise and extend his remarks.)

Mr. BARRETT. Mr. Chairman, I rise to join my distinguished and able colleague from Texas, the chairman of the Committee on Banking and Currency, in urging enthusiastic support for this far-reaching and comprehensive bill which is now before the House.

This bill is the product of nearly 2 years' work on the part of the executive branch, the committees involved in both bodies of the Congress, and by countless experts in housing and urban affairs who helped shape the outlines of this great bill which is truly a "Magna Carta" for our cities, both large and small.

Mr. Chairman, I wish to take this opportunity to thank the gentleman from New Jersey [Mr. WIDNALL] for his very kind remarks on the chairman of the Housing Subcommittee. I certainly want to say that I agree almost in toto with the gentleman's remarks on the bill, and I wish to say in respect to the activities and the interest of the gentleman from New Jersey, at least since I have been a member of the Housing Subcommittee, that the gentleman has shown not only in relation to this bill but all housing bills, remarkable diligence and work. He is very fine in his splendid cooperation not only with the chairman of the Housing Subcommittee but in his response to and his cooperation with the gentleman from Texas [Mr. PATMAN], chairman of the full Committee on Banking and Currency.

There is a splendid relationship, Mr. Chairman, between the minority side and the majority side. One might say this indicates we never disagree. Certainly this is not true. We disagree quite often, but we disagree agreeably, and it is through the proper understanding and willingness to work together that we are able to bring to the floor of this House one of the finest housing bills ever to be reported by this Congress.

The bill extends and improves virtually every program we have in the field of housing and urban development. But, Mr. Chairman, it goes much further by proposing some new approaches which have almost limitless potential for providing housing for low- and moderate-income families and for meeting the staggering housing and urban development needs which face our Nation in the years ahead.

The bill addresses itself to one of the most urgent problems confronting us today—that of providing decent housing in wholesome neighborhoods for all of our citizens. Beyond that, the bill seeks to provide dignity and security to our underprivileged fellow citizens through homeownership, new job opportunities, and by doing a better job under our existing programs.

In 1949, the Congress stated our national housing goal as a "suitable home and a decent living environment for every American family." Since then, we have accomplished much through private enterprise and through Federal programs, but our problems have also grown. Today, the need for prompt, effective action is even more urgent than it was two decades ago. The ever-rising prosperity of most Americans has made the contrast of poverty and slums even more disturbing. This bill would attack these problems on many fronts.

Mr. Chairman, I would like to stress first what is perhaps the major new feature of the bill. It proposes a new program which for the first time will offer the hope of homeownership to millions of low- and moderate-income Americans whose present incomes bar the door of homeownership to them.

Under this new program, a low- or moderate-income home buyer would pay 20 percent of his income for the mortgage payment including principal, interest, real estates taxes, insurance, and mortgage insurance premiums. If this payment would not cover the full mortgage payment because his income is too low, the Government would make up the difference. However, there is a limit on the Government payment based on interest costs. The Federal subsidy could not exceed the difference between the monthly payment for principal, interest, and mortgage insurance premiums based on the market interest rate actually paid to the private lender and the payment that would be required for principal and interest if the mortgage bore an interest rate of 1 percent.

Let me give an example. Take a house

with a mortgage of $12,000. The maximum subsidy which could be paid at current interest rates would be a little over $45 a month. If a family earning $3,000 a year wanted to purchase this house, they could receive the full subsidy and would pay a little over $50 a month out of their own pockets to make up the full payment. If this family's income rose to—say $4,200 a year—they would then be paying $70 a month and the subsidy would shrink to about $30. When the family's income got to around $6,000 a year, the subsidy would cease altogether and the payment would come entirely from the family.

Also, Mr. Chairman, a similar new program is proposed in the bill which will make decent rental and cooperative housing available to families in the general income range of $3,000 to $7,500. Under the new program, a nonprofit, limited dividend, or cooperative sponsor would receive a Federal subsidy that would lower the cost of the mortgage to as low as 1 percent, which of course would permit the sponsor to lower rents substantially to the occupants. As in the case of the homeownership program, the actual net subsidy would be flexible depending on the income of the occupant. He would pay one-fifth of his income toward the rent and to the extent needed, the interest subsidy could make up the difference. This would work by having the mortgagor pay back to the Government that portion of the rent collected in excess of the basic rental charge—established for each unit on the basis of operating the project with a 1-percent mortgage.

When fully operational, this new program would replace the present section 221(d)(3), below-market interest rate and section 202 direct loan programs and would serve more Americans with a lower budget cost.

Mr. Chairman, one aspect of the interest subsidies for rental and cooperative housing that cannot be overemphasized is its vital importance for senior citizens. Our present program of direct loans for the elderly has been one of the most successful ever undertaken and has always had powerful support in the Congress. This support should now be given to the new interest subsidy program, because of two important advantages it offers to the elderly. First, it can bring this housing within the reach of elderly families and individuals with incomes below those served by the present program. While the 3-percent interest rate on the direct loans provides a very significant benefit for this housing, the new section 236 can reduce the effective interest rate to as low as 1 percent if the occupants' income justifies it. In addition, it will make the Federal dollar go further by reducing the budget impact of this assistance.

We all recognize the heavy pressures on the Federal budget today and it is not practical to authorize as much direct loan money as our senior citizens need. By this new approach which stretches the impact on the budget out over the years, we can add substantially to the amount of housing produced.

Mr. Chairman, these two new housing programs are indeed a breakthrough in Federal assistance for low- and moderate-income families. Between them, they will provide funds over the next 3 years for almost 950,000 housing units, most of them newly constructed or substantially rehabilitated. This magnitude of production will be made possible by reliance on the private money market, with the Federal assistance being provided in a truly innovative manner—flexible interest subsidies based on the need of the assisted family.

Because of the newness of this approach, some question may come up about the treatment of this assistance with respect to the Federal income tax and Federal welfare programs. The fact that the assistance payments under the homeownership program are made on behalf of the homeowner would not, of course, render them includable in the homeowner's income for Federal tax purposes or for determining eligibility or the amount of benefits to be received under federally run or aided programs. Likewise, neither would interest reduction payments made pursuant to the new rental program or rent supplement payments be taxable to the tenants on whose behalf they are made or to the project owners. Similarly, these latter types of assistance would not be includable in income for the purpose of such welfare programs.

These two new programs will probably involve greater underwriting risks than mortgage insurance programs that are designed primarily for families in the medium and upper income brackets. Since they are designed to serve families of low and moderate income, such risks can be expected. In order to avoid jeopardizing FHA's existing insurance funds, a new special risk insurance fund will be established for these two programs as well as for three other new programs established in this bill which will entail higher than usual risks. This fund will not be expected to be actuarily sound and appropriations will be authorized to make up any losses, both anticipated and actual, that the fund may realize. Any insurance claims would be paid out of this fund and any property acquired by the Secretary of Housing and Urban Development as the result of such payments would become the assets of the fund. Naturally any such rental or cooperative property acquired by the Secretary through foreclosure or conveyance to him would continue to be operated by him at rental rates adjusted in accordance with tenants' incomes and consistent with the objectives of the program. Although not included in this new insurance fund, a similar policy is expected to be followed with respect to any rent supplement projects that might be acquired as the result of default.

Mr. Chairman, another innovation in the bill are the programs that seek to enlist the participation of private enterprise on a far larger scale than at present. It would establish a National Homeownership Foundation whose mission would be to encourage in every way possible the provision of low-cost housing by private enterprise groups. The bill also authorizes Housing and Urban Development to make interest-free advances to nonprofit housing sponsors which can cover up to four-fifths of preconstruction expenses. It would also, Mr. Chairman, authorize the creation of national housing partnerships to mobilize private investment and the application of business skills to the task of creating low- and moderate-income housing in large volume.

The bill would make important new changes to the Federal Housing Administration so that it can better serve low- and moderate-income families by making the credit tests less rigid and by authorizing FHA insurance in older neighborhoods which under present law the FHA has ruled out of bounds.

Mr. Chairman, the bill would point to new directions in public housing and urban renewal.

For the first time, Federal funds would be authorized to assist local housing authorities in providing desperately needed social services and counseling to tenants of low-rent public housing projects. It would recognize the problems of large families as well as those of unusually low income in public housing accommodations by authorizing an additional annual subsidy of $120 per unit.

These two provisions can make an extremely valuable contribution to the public housing program. To obtain the best advantage from the tremendous investment which this country has already made in public housing, it is essential that we make available this small additional assistance to meet the human needs of the occupants. Also, they should put an end once and for all to the problem that there are actually cases of people too poor to be admitted to public housing. This problem arises from the fact that, except in the case of the elderly, Federal assistance covers only the capital cost of the project and rental income must be sufficient to meet operating expenses. Because of this, some local authorities have had to turn some families in greatest need away because their rent paying ability was too low.

The urban renewal title of the bill would authorize a new approach to slum clearance through the neighborhood development program. This would not replace the present provisions in the law but would be an additional plan which a city could choose if it so desired. Under a neighborhood development program the commitment of Federal funds would be made annually as the project was carried out instead of requiring a large lump sum commitment at the outset which might not be needed for several years, as is the case in a regular urban renewal project. This approach will also have the advantage of retaining flexibility in the planning for later stages of the project.

Another important improvement in the urban renewal program, one which is designed to assure highest priority for urgently needed housing for low- and moderate-income groups, would require that a majority of the housing units provided in future residentially redeveloped projects in a community must be for low- and moderate-income families including at least 20 percent of the total for low-income families. This provision retains flexibility of local planning since it does not apply to each and every individual

project but it does assure that the goal will be reached by applying it to a community's urban renewal program as a whole. In order for a city to meet this requirement, it is expected that projects emphasizing this housing generally will be undertaken first.

The mass transit title of the bill includes an urgently needed authorization of $190 million for these grants. It is necessary for us to act on this to carry out the budget request for this program for fiscal 1970. Because of the leadtime required for mass transit projects, the Committee on Appropriations has cooperated by providing funds a year in advance so that local authorities can make their plans. Therefore, these funds are needed now for fiscal 1970 to maintain the momentum that this important program has achieved. In addition, this title would extend for approximately 1 year the emergency authority for reduced grants—that is, 50-percent grants instead of two-thirds—in areas where planning is underway but not completed but the need is so urgent that they must receive some assistance right away.

Mr. Chairman, title VII of the bill would take a major step toward the long-sought goal of making FNMA's secondary market function a private operation. It would do this by retiring Treasury stock as soon as possible and transferring FNMA to private ownership. This will enable the new FNMA to carry out its responsibilities without present budgetary limitations. Naturally, the special assistance and management and liquidating functions will be retained in the Department as a newly established Government National Mortgage Association.

Another important provision in this title will enable us to tap new sources of funds for the mortgage market by authorizing the new FNMA and other lenders approved by the Association to issue securities against pools of mortgages. These securities will be guaranteed by GNMA which would establish the terms and conditions of the securities. The measure would, of course, be self-defeating in terms of its objective of increasing the flow of residential mortgage funds, if these securities compete directly with savings accounts in thrift institutions already channeling the bulk of these funds into the housing market. Such competition would simply shift the sources of mortgage credit, not enlarge them. Thus, it is essential that the new mortgage-backed securities be limited to denominations suitable for acquisition by institutions and other large securities-oriented investors. In addition, maturities, and other terms established by FNMA must be designed to minimize competition with savings accounts.

Two other new programs proposed in the bill deserve special mention, Mr. Chairman.

The new proposed urban insurance program, for the first time, recognizes and seeks to cope with the mounting insurance crisis that faces the property owner and the inner city businessman. Many of these people, although they have well maintained properties, are unable to acquire adequate insurance because they are located in a high risk area or are near deteriorating structures. Without insurance they cannot get financing for property improvements or business inventory. The result is further spiraling deterioration of the whole area.

Under H.R. 17989, the Secretary of Housing and Urban Development would provide reinsurance to insurance companies for losses paid by them as a result of riots and other civil disorders. Reinsurance losses would be shared among the insurance companies, the States, and the Federal Government.

To obtain this reinsurance the private insurance company would have to agree to make insurance available to all property owners through cooperation in a "FAIR" plan.

Another new program also would recognize for the first time our national responsibility to protect homeowners and small businesses from the damages of the floods which periodically ravage our rivers and coasts. The need for Federal assistance in this area is far too long overdue.

Mr. Chairman, another new program in the bill which I believe will have the hearty support of the House is additional aid for the very popular and important college housing program. The present direct loan program which provides 3-percent financing for college housing would be retained but a very substantial backlog of applications which cannot be met from this authorization has built up. As is recognized elsewhere in the bill, the direct loan approach cannot meet all of our needs because of its budget impact. Therefore, the committee has adopted a proposal to supplement the direct loan program with an interest subsidy approach that will make the same 3-percent financing available. Under this approach, the financing will be done by private lenders and the Federal aid will be limited to making up the difference between the market interest rate and the 3-percent rate now available on direct loans. This approach will make it possible to increase the production of college housing not only to meet our present backlog but to be prepared for the anticipated increase in future enrollment, particularly the needs of our returning Vietnam veterans.

Mr. Chairman, this bill is so broad and detailed, I have not attempted to cover all of its provisions. For example, there is substantially increased funding for the water and sewer grant program. These are provisions for improvements and additional funds for advance acquisition of land, neighborhood facilities, open space land, and there are many more important provisions which are completely discussed in the committee report.

In closing, Mr. Chairman, I would remind our colleagues that President Johnson has called this bill "a charter of renewed hope for the American city." I echo his opinion and I submit that we cannot, that we must not, go forward without making this charter a reality.

Mr. JONAS. Mr. Chairman, I make the point of order that a quorum is not present.

The CHAIRMAN. The Chair will count.

Forty-five Members are present, not a quorum. The Clerk will call the roll.

The Clerk called the roll, and the following Members failed to answer to their names:

[Roll No. 232]

Abbitt	Flood	Mink
Albert	Foley	Mize
Anderson, Ill.	Fulton, Tenn.	Moore
Andrews, N. Dak.	Gallagher	Morton
	Gardner	Moss
Ashbrook	Gathings	O'Hara, Ill.
Ashley	Gettys	O'Hara, Mich.
Baring	Gibbons	Passman
Bates	Gray	Pettis
Battin	Green, Oreg.	Philbin
Bell	Green, Pa.	Pickle
Blanton	Grover	Podell
Boland	Halleck	Pool
Bow	Hanna	Pryor
Brademas	Hansen, Idaho	Railsback
Brock	Hardy	Rarick
Carey	Harsha	Reinecke
Clancy	Hathaway	Resnick
Clark	Hawkins	Ronan
Cleveland	Hays	Rooney, Pa.
Cohelan	Holland	Rosenthal
Collier	Horton	Roybal
Conyers	Hosmer	Satterfield
Corman	Howard	St. Onge
Cramer	Hungate	Scheuer
Culver	Jarman	Shipley
Cunningham	Jones, Ala.	Slack
Dawson	Jones, Mo.	Smith, Okla.
Dellenback	Karsten	Steed
Diggs	Kastenmeier	Teague, Tex.
Dole	Keith	Tenzer
Donohue	Kelly	Thompson, N.J.
Dow	King, Calif.	Tiernan
Eckhardt	Kornegay	Tuck
Edmondson	Landrum	Tunney
Edwards, La.	Lipscomb	Utt
Esch	Long, La.	Van Deerlin
Evans, Colo.	Lukens	Waggonner
Everett	McCloskey	Watkins
Evins, Tenn.	McMillan	Whalen
Fallon	Mathias, Md.	Willis
Farbstein	Michel	Wilson, Bob
Fino	Minish	Wolff

Accordingly the Committee rose; and the Speaker having resumed the chair, Mr. PRICE of Illinois, Chairman of the Committee of the Whole House on the State of the Union, reported that that Committee, having had under consideration the bill H.R. 17989, and finding itself with a quorum, he had directed the roll to be called, when 299 Members responded to their names, a quorum, and he submitted herewith the names of the absentees to be spread upon the Journal.

The Committee resumed its sitting.

Mr. WIDNALL. Mr. Chairman, I yield 10 minutes to the gentleman from Ohio [Mr. WYLIE].

(Mr. WYLIE asked and was given permission to revise and extend his remarks.)

Mr. WYLIE. Mr. Chairman, the housing bill, H.R. 17989, before us is undeniably a big and complicated bill. It is both lengthy and costly. There are parts of it that I enthusiastically endorse. There are parts of it that I do not favor.

To adopt the phrase used by the President in signing the omnibus crime control bill, I feel there is more good than bad, and on balance I agree with the distinguished ranking minority member of the committee, the gentleman from New Jersey [Mr. WIDNALL], that the concept of the bill is both necessary and worthwhile.

One of the things, Mr. Chairman, that has bothered me is the dollar authorization in this bill. It would authorize appropriations of approximately $5.3 billion, and that is a tremendous amount of money. It is about equal to the expenditure reduction in the recent tax bill.

The other side of the coin is that the problems of the cities, both the large and the small, are very substantial and very complex.

In this bill the committee proposes to utilize, perhaps more so than in the past, private capital and private management. If some of these programs were to be funded solely with Federal money, the cost to the taxpayer would be truly astronomical, and, frankly, a cost that we simply could not afford at this time.

Last year there were a number of us—114 to be exact—who cosponsored the National Home Ownership Foundation Act. Title I of the pending legislation contains many of the provisions originally in the proposed National Home Ownership Foundation Act.

I think that title I of this bill offers tremendous opportunities to the low- and moderate-income families of the country regardless of where they live—regardless of whether they live in rural areas, in small, or medium size, or large cities.

Homeownership can provide low-income and moderate-income families with a sense of dignity in themselves. These families can have a feeling of pride in their homes and we hope will provide an incentive to become more active participants in the life of their community.

I agree with the gentleman from New Jersey [Mr. WIDNALL] that homeownership as a desirable goal is an ideal deeply rooted in American tradition.

Title I further provides not only homeownership opportunities, but on-the-job training, practical assistance in household management, and will offer greater opportunities for the coordination of public and private programs.

I am also interested in section 104 of this bill, which establishes a special risk insurance fund. This provision had its antecedents in the National Home Ownership Foundation Act. Those of us who sponsored that bill believe that the experience of private pilot programs indicates that well-counseled low-income families are good mortgage risks.

I am also pleased that the bill incorporates self-help provisions and a program of technical assistance to the nonprofit sponsors of low and moderate housing.

The new rental housing program in section 201, Mr. Chairman, has caused many of us some concern. As I understand it, the existing rental housing program under section 221(d)(3) of the National Housing Act will be phased out and replaced by section 201 of the pending bill.

I guess, Mr. Chairman, that my doubts have been resolved on a purely mathematical basis. Section 201 is designed to provide about 450,000 units of low- and moderate-income housing over a 3-year period. The bill would authorize, subject to appropriations, $300 million for this program. If this same volume of housing were to be built under the present (d)(3) program, we were told by Secretary Weaver the cost would run between $5 and $6 billion.

It is true that under the proposed program we are talking about a 40-year mortgage, but we are also talking about a 40-year mortgage under the existing (d)(3) program, and the income limits under both programs would be the same.

There may be other ways of providing low- and moderate-income housing without undertaking a 40-year commitment, but, if so, we are not now aware of them.

Title II of H.R. 17989 would add a sweeping new subsidized rental housing program to the National Housing Act more generous in scope than the existing 221(d)(3) below market interest rate program. While the proposed new section 236 program differs markedly from the 221(d)(3) concept in that subsidies would be in the form of direct payments of interest from the Secretary of Housing and Urban Development to the lender holding the project mortgage—as opposed to Government financing at below-market rates—the practical effect of the proposal would be to create a rental housing program with only an imaginary income ceiling and with subsidies far more generous than those possible under 221(d)(3).

Members of the House of Representatives will want to take a very close look at the provisions of this new program before making their decisions on whether to approve title II in its present form.

Since no income limitations would be imposed under the program, nothing would prevent the Secretary of Housing and Urban Development from increasing income eligibility substantially beyond present administrative ceilings.

It is essential that those charged with the ultimate responsibility of drafting the new rental housing program now contained in title II of H.R. 17989 realize that income ceilings would not exist. The Secretary of Housing and Urban Development is authorized to set limitations with no guidelines whatsoever. In the words of the proposed legislation—page 54, line 18:

> The Secretary is authorized to make . . . interest reduction payments on behalf of the owner of a rental housing project designed for occupancy by low and moderate income families.

A married couple with one child could have earned as much as $7,800 and still be qualified for a 221(d)(3) unit when income limitations were first established for Rockford, Ill., at the end of 1965. Less than a year and one-half later, in April of 1967, this limitation was raised $150 and such a family could earn $7,950 and still qualify. A family of five in Rockford can earn $9,150 and still be eligible for subsidized housing under this section. This is considerably above the national median income. Moreover, there is nothing to prevent the Secretary of Housing from increasing these limitations by any amount he desires. He could, if he felt that a family of three earning $12,000 annually was a moderate-income family, authorize that much of an increase. The Congress needs to exert greater control over levels of income eligibility if the new program is to achieve the goals for which it is intended.

In view of the national housing goals expressed in the bill and by the administration of 6 million units for low- and moderate income families in the next 10 years, it is particularly dangerous to allow the administration to set its own levels of eligibility.

Obviously it costs a great deal more in the way of subsidy to house a family earning $3,500 annually than one earning more than twice that amount. In short, a given amount of dollars would subsidize far more moderate-income families than low-income families. In view of the bold goals set by this bill itself, it is not unreasonable to fear that the administration might seek to accomplish these goals by providing for far more moderate-income units than low-income units. Once goals are set there is a natural desire to see them achieved. It is not suggested that the formulation of specific goals is unwise, but only that Congress needs to regulate more carefully the levels of income eligibility to assure that the limited Federal funds available for housing subsidies go to families that cannot provide standard housing without assistance. This is far more important than meeting the goal itself.

I would like to compliment the distinguished ranking minority member of the Committee on Banking and Currency, the gentleman from New Jersey [Mr. WIDNALL]. The amendments which he proposes to offer will in my opinion greatly stregthen the present bill. I favor his amendment on the utilization of existing housing in the homeownership program which is carried under title I of the bill. As I understand it, this amendment is based upon the highly successful rent certificate program which he sponsored several years ago. Also, I support the amendment to provide more low- and moderate-income housing in urban renewal areas. This is long overdue and his amendment is a needed step in the right direction.

The CHAIRMAN. The time of the gentleman from Ohio has expired.

Mr. WIDNALL. Mr. Chairman, I yield the gentleman 1 additional minute.

Mr. WYLIE. Finally, Mr. Chairman, I support his amendment to expand the water and sewer program. In my district, the small community of Urbancrest is finding it very difficult and almost impossible even to provide its 50 percent of the cost of financing a much needed water and sewer project. This community has no hope at all until a larger program is authorized and until the administration requests adequate funds.

Mr. JONAS. Mr. Chairman, will the gentleman yield?

Mr. WYLIE. I yield to the gentleman from North Carolina.

Mr. JONAS. Mr. Chairman, I was interested in the comment about the water and sewer grants. I believe the RECORD will show that the administration is not asking for the amount of funds that heretofore have been authorized for this program, and I for one have never been able to understand why the administration will downgrade this important program that has the sponsorship and support of every congressional district in the United States.

Mr. WYLIE. I thank the gentleman for his comments.

The CHAIRMAN. The time of the gentleman from Ohio has again expired.

Mr. BARRETT. Mr. Chairman, I yield 10 minutes to the gentlewoman from Missouri [Mrs. SULLIVAN].

Mrs. SULLIVAN. Mr. Chairman, I rise to join my distinguished and able colleagues, the chairman of the full Banking and Currency Committee and the chairman of the Subcommittee on Housing, in support of this comprehensive and far-sighted bill which offers so much hope toward the solution of the grave problems that face our Nation's cities, both large and small. The distinguished gentlemen from Texas and Pennsylvania have ably explained the main features of the bill so I would like to confine my remarks to two special aspects in which I am deeply interested.

First, Mr. Chairman, I want to endorse in the strongest possible terms the homeownership title of the bill which strengthens existing law in this field and offers the first dawn of hope of homeownership for additional hundreds of thousands of low- and moderate-income families. Until 2 years ago, virtually all of the emphasis in providing housing for lower income families has been on rental housing. While it is true that for many families and elderly single persons rental housing is usually the appropriate solution, I wholeheartedly support any program which will help more lower income families to become homeowners and to be able to retain their homes.

The human and social benefits of homeownership are vital to a stable society. A home is the hub of the family's life. The owner feels a strong stake in the community, develops an interest in civic affairs, and enjoys a feeling of pride and security in the possession of his own home.

It was because of my deep interest in this subject that I sponsored the first pioneering effort to provide a Federal program of assistance for homeownership for low-income families in the 1966 Omnibus Housing Act. In that act we authorized what is called the section 221(h) program under which nonprofit groups, such as chruch groups, or civic organizations, can purchase low- and modest-cost housing, rehabilitate it, and sell the homes to low-income families in the same income brackets as those eligible for public housing. This was made possible by providing 3 percent mortgage loans to the homeowner through special assistance funds from the Federal National Mortgage Association.

Despite the initial misgivings of many who thought it was visionary and impractical, the section 221(h) program has caught hold and the benefits of homeownership are now being made available to low-income families in many of our Nation's cities. I am particularly proud of the eminent success of the program in my own city of St. Louis under the sponsorship of the Bicentennial Civic Improvement Corp., a nonprofit group formed by outstanding civic leaders in my city.

I hope my colleagues will not think me immodest in citing my great pride in this program as we now consider the greatly expanded program of homeownership for lower income families proposed in title I of the bill. The bill before us now would authorize subsidy payments in sufficient amount to bring homeownership within the grasp of an estimated one-half million low- and moderate-income families. Through its subsidy mechanism it would give the lower income homeowner a mortgage with an interest rate of only 1 percent. In this manner it would reach down into very low income levels so that they can meet the mortgage payments on their home.

Mr. Chairman, I hope the homeownership title will receive the overwhelming acclaim of the House.

I would like to point out to my colleagues that the bill and the committee report make it abundantly clear that the present successfully operating 3-percent mortgage finance homeownership program under section 221(h) will continue until the proposed new 1-percent homeownership subsidy payment program is adequately funded and fully operational. Until that time is reached, however, Mr. Chairman, I am pleased that the committee adopted liberalizing amendments which I offered to the present section 221(h) homeownership program, most important of which would reduce the 3-percent interest rate loan to 1 percent if the prospective homeowner cannot meet the monthly payments required at the higher rate.

Now, Mr. Chairman, I would like to turn to the second aspect of the bill in which I have a very special interest. While we all hope that these programs will lead to a great expansion of homeownership among low- and moderate-income families, we must still recognize that there are many families and individuals who are not prepared to undertake the burdens and obligations of homeownership, or who are simply too poor to afford it, even with this assistance. For many families, the low-rent housing program will continue to be the principal or only hope they have of obtaining decent housing. The increased authorizations for the public housing program included in the bill are vital if we are to provide decent housing for our lowest income families who would otherwise be condemned to live out their lives in the slums. The changes made in the rental housing program are particularly important if we are to fulfill our obligations to families displaced by Government action, and also the elderly and handicapped.

Apart from the dollar increases in the program, the bill would improve rental housing programs in several essential ways. First, the increased authorization will make it possible to modernize and improve existing housing projects, where needed. Many of these are now 30 years old and require rehabilitation and modernization. In some, original defects in design must be rectified. These units will continue to be an important part of our housing inventory and deserve to be brought up to current standards.

In this connection, I would like to call the attention of my colleagues, and also of the Department of HUD, to an amendment adopted in committitee designed to prohibit high-rise projects for families with young children unless the Secretary finds that there is absolutely no other way to provide decent housing for them. While there may be cases in some larger cities where there is no practical alternative, the record is clear—elevator apartments are not suitable or desirable for families with young children, and every effort must be made to provide a more suitable home environment for them.

In addition our experience has shown that it is not enough for families who suffer serious social and economic disadvantages to simply improve their housing. They need other aid and encouragement to enable them to become contributing members of the community and to live in dignity. Some of this social upgrading work is being done now, but much more is needed. The additional assistance provided in section 204 of the bill for special community projects, can go far to achieve this goal. These projects involving tenant participation are intended to give them pride and interest in their homes and to improve morale and a sense of responsibility in the housing projects.

In addition to the group activities contemplated under this section, the bill also includes a provision, which I had the honor of sponsoring, to provide limited additional financial aid for the operation and management of public housing projects. At present the Federal contribution is limited to the amount necessary for annual debt service, and the local authority must raise enough money from rents to pay all operating expenses and upkeep. An exception was made to this rule in the case of housing for the elderly, in recognition that their reduced incomes and the fact that their rent paying ability is often so low that a project designed primarily, or entirely, for senior citizens could not operate under such financial restrictions. The Congress therefore authorized an additional payment of up to $120 per year per unit in the case of the elderly where this amount is necessary to maintain the solvency of the project. But we have found that this problem is not confined just to the elderly. As more and more public housing occupants are drawn from welfare rolls or represent broken homes, rental income in the projects, of necessity, has fallen behind the current operating costs.

This problem was thoroughly explored at a meeting held at my request earlier this year which brought together the heads of local housing authorities from all over the country. Their reports and comments were deeply disturbing. Not only has it become impossible for local authorities to do the job we expect from them in some cases, but it has even been necessary for some authorities to turn away families in greatest need simply because their rent paying ability would not cover operating costs. The housing officials who participated in that meeting unanimously urged that we must find some way to improve the financing of projects threatened with insolvency. The committee has done this by the adoption of my amendment to authorize the same $120 a year extra payment per unit, now available in projects for the elderly, to be available also for units occupied by

large families—those with four or more minor children—and also for families with incomes so low that they cannot be housed without this additional aid.

Mr. Chairman, these are only a few of many vital subjects dealt with in this bill, which would provide for a broad attack on our many problems in the field of housing and urban development. I urge all of my colleagues to give it their support. We know the extent of the housing crisis in all of our cities; this bill will enable us to meet that crisis as no legislation previously enacted could do.

Mr. WIDNALL. Mr. Chairman, I yield to the gentleman from New York [Mr. REID].

(Mr. REID of New York asked and was given permission to revise and extend his remarks.)

Mr. REID of New York. Mr. Chairman, I rise in support of H.R. 17989, the Housing and Urban Development Act of 1968.

In total, the bill would provide about 1.4 million new housing units for low- and moderate-income families over the next 3 years, at a cost of $3.76 billion, plus an additional $1.3 billion for related programs in the bill. This is progress but the inadequate authorizations hardly come close to meeting the need.

In addition to increasing the contract authority for rent supplements to provide 209,000 new rent supplemented units by 1971 and increasing the authorization for low-rent public housing to provide an additional 375,000 units, the bill establishes two important new programs for low- and moderate-income families.

A new section 235 of the Housing Act would authorize a new program of interest subsidies to low- and moderate-income families to purchase their own homes. It is expected that half a million new homeowners would be assisted by this program. This is an important Republican initiative led by Senator PERCY and Congressman WIDNALL.

A new section 236 would authorize a new program of interest subsidies in behalf of low- and moderate-income occupants of rental and cooperative housing, thereby extending new assistance to 450,000 Americans.

Hopefully, these two programs will be effective as alternatives to the inadequate low-rent public housing that has neither met the need to the extent required nor been satisfactory as a social institution. Only about 30,000 units of low-rent public housing have been constructed annually over the last several years and only 680,000 units now exist, with another 55,000 under construction. Yet even these tend to perpetuate ghetto conditions rather than eliminate them.

The Senate bill contained a requirement that 80 percent of the funds for sections 235 and 236 be used for families whose incomes are less than 70 percent of the income limits prescribed by the Secretary. These are expected to be the same as those used in the 221(d)(3) program which go as high as $10,000 in some cities. The effect of the Senate provision is to reserve the bulk of these funds for genuinely low-income families. There are now 13,796,000 families with incomes of less than $5,000 per year, representing 28 percent of all American families. Our first obligation is to meet their housing needs. By eliminating the Senate restriction, the bill before us blunts this emphasis on low-income families and spreads these meager funds over a larger area. It is my understanding that necessary amendments will be offered to correct this situation, and I intend to support them.

Further, the bill establishes a program of Federal reinsurance for private insurance companies to encourage them to write property insurance in areas threatened by riots and civil commotion, thus implementing the recommendations of the President's National Advisory Panel on Insurance in Riot-Affected Areas.

The bill, in these and other particulars, represents the first implementation by the Congress of a portion of the Riot Commission report.

But the authorizations in the bill are at a level that is much too low, that is far short of the Nation's housing needs. Mayor Lindsay has testified that New York City alone needs $50 billion to begin to act on the recommendations of the Riot Commission report, of which $8 billion is needed for housing. Nationally, there are presently some 6 million substandard housing units, affecting 50 million Americans.

The President has proposed that these 6 million units be replaced over a 10-year period, and the Riot Commission has recommended that progress be at a rate that is twice as fast. Yet this bill anticipates construction of about 1.4 million units in the next 3 years, assuming full appropriations. At that rate, we would replace existing substandard units only in 1982—not to speak of those which will decay in the intervening years. This is clearly much too far in the future.

To spend $5 billion on housing over 3 years means that we spend $1.5 billion per year—or about as much as we expend monthly in Vietnam. I believe that this is a clear indication that our priorities are quite out of order, and not in line with the needs of this Nation at this time.

The housing goal of "a decent home and a suitable living environment for every American family," first set in the Housing Act of 1949, and reaffirmed in the bill before us, still remains more than a decade away under this bill. This is too long to wait. Even so, unless we enact this bill, and then vote for full appropriations instead of the 30 to 50 percent of the authorization that this Congress usually allots to urban programs, that goal will be relegated to a yet more distant future.

Mr. GROSS. Mr. Chairman, I make the point of order that a quorum is not present.

The CHAIRMAN. The Chair will count.

Forty-eight Members are present, not a quorum. The Clerk will call the roll.

The Clerk called the roll, and the following Members failed to answer to their names:

[Roll No. 233]

Abbitt	Brademas	Dellenback
Albert	Brock	Diggs
Anderson, Ill.	Broomfield	Dole
Andrews, N. Dak.	Carey	Donohue
Baring	Cleveland	Eckhardt
Bates	Collier	Edmondson
Bell	Conyers	Edwards, La.
Blanton	Corman	Esch
Bow	Cramer	Everett
	Cunningham	Evins, Tenn.
Farbstein	Keith	Railsback
Fino	Kelly	Rarick
Flood	Kornegay	Reinecke
Fulton, Tenn.	Kuykendall	Resnick
Gardner	Landrum	Rivers
Gettys	Lipscomb	Roybal
Gibbons	Long, La.	Satterfield
Green, Oreg.	Lukens	Scheuer
Grover	McCloskey	Schweiker
Halleck	McMillan	Smith, Okla.
Hanna	Michel	Steed
Hansen, Idaho	Mink	Stephens
Hardy	Minshall	Teague, Calif.
Harsha	Mize	Teague, Tex.
Hawkins	Moore	Thompson, N.J.
Henderson	Moss	Tuck
Herlong	O'Hara, Ill.	Tunney
Holland	Passman	Van Deerlin
Horton	Pettis	Waggonner
Hosmer	Philbin	Watkins
Hungate	Pickle	Willis
Jarman	Podell	Wolff
Jones, Mo.	Pool	
Karsten	Pryor	

Accordingly the Committee rose; and the Speaker having resumed the chair, Mr. PRICE of Illinois, Chairman of the Committee of the Whole House on the State of the Union, reported that that Committee, having had under consideration the bill H.R. 17989, and finding itself without a quorum, he had directed the roll to be called, when 331 Members responded to their names, a quorum, and he submitted herewith the names of the absentees to be spread upon the Journal.

The Committee resumed its sitting.

The CHAIRMAN. The Chair recognizes the gentleman from Michigan [Mr. BROWN].

Mr. BROWN of Michigan. Mr. Chairman, I yield 10 minutes to the gentlewoman from New Jersey [Mrs. DWYER].

(Mrs. DWYER asked and was given permission to revise and extend her remarks.)

Mrs. DWYER. Mr. Chairman, by general agreement, this is the single most important piece of domestic legislation that will be considered by the Congress during this second session of the 90th Congress. In many ways, it would break new ground in the continuing effort to implement our national commitment—now nearly 20 years old—to assure a decent home and a suitable living environment for every American. Through the extension of existing housing programs and by means of new ones, it would invest more of our resources and provide for more new jobs than any recent legislation, and therefore it stands as a test of our willingness to pursue a constructive course in rebuilding cities and healing the lives of those who live in them.

For these reasons, I strongly support this housing bill—not blindly or automatically, but selectively and with qualifications. As a member of the Housing Subcommittee and the full Committee on Banking and Currency, I have participated in the development of this bill through many months of lengthy hearings and executive sessions. Like any omnibus bill, it has its good and bad features. It would not please everyone. In fact, because of its size and length and complexity, it could very well be a source of considerable frustration and a tempting target for those who want no housing bill at all. I appeal to our colleagues, Mr. Chairman, to resist this temptation, to consider each of the issues that will be raised on its merits, and to approach this legislation positively, in terms of how we can improve it, how we can make it

better serve the people who need its help, and how we can obtain from it more of the results we desire.

I will not take the time of the House to discuss in detail the many provisions of this bill. Let me, instead, simply mention several features which I consider of special importance:

First, the emphasis throughout the bill on increasing home ownership opportunities for low- and moderate-income families, an idea and an accomplishment for which we are all indebted to the distinguished ranking minority member of the committee [Mr. WIDNALL] and the distinguished junior Senator from Illinois [Mr. PERCY];

Second, the use of new financing arrangements under which interest payments would be subsidized rather than entire mortgages, thereby attracting a potentially much larger scale of private investment in both sale and rental housing;

Third, the expanded use of a sliding scale as a basis for determining the amount of subsidy, with families contributing more toward the cost of their housing as their incomes increase;

Fourth, the insistence in the bill that in administering the major housing programs the Secretary of Housing and Urban Development shall require that opportunities in employment resulting from construction and rehabilitation be given to lower income persons residing in the area;

Fifth, the more flexible approach to urban renewal incorporated in the bill's neighborhood development program, which should help reduce the delay and frustration which have become hallmarks of urban renewal;

Sixth, the requirement that a greater proportion of housing units provided under the urban renewal program be designed for low- and moderate-income families;

Seventh, the stimulus given to rehabilitation as an effective means of restoring and preventing slums and improving the stability of declining neighborhoods;

Eighth, the expansion of the basic water and sewer facilities program, surely one of the most needed and popular efforts ever undertaken by the Federal Government for which the demand, especially in suburban areas, far outstrips the supply of available assistance;

Ninth, the recognition in the bill of the growing importance of the urban mass transportation program in the development of transportation systems serving both central cities and suburbs, and the improvements to the program contained in the bill which will make its assistance more useful;

Tenth, the improvements proposed in the so-called rent certificate program, another product of minority initiative within the committee, which will enlarge the utility of a program which has already proved itself to be one of the fastest and most effective ways of moving poor people into decent housing; and

Eleventh, the incorporation of the national flood insurance program in the bill, a step which I heartily welcome as a means of making this long-desired program a reality and of securing protection for millions of homeowners exposed to destruction by the elements; an unfortunately appropriate example of the need for such protection was the flood disaster which struck heavily populated areas of New Jersey this spring and caused more than $150 million in damage, the worst such disaster in our State during this century.

There are other aspects of this bill, Mr. Chairman, which also deserve support, and a number which I hope will be the subject of proposed amendments, for the legislation can stand considerable improvement. I refer our colleagues to the minority views and the views of the ranking minority member printed in the committee report.

In considering such amendments as may be proposed, I shall be guided by the following objectives:

First, to improve the efficiency, effectiveness, and coordination of specific programs;

Second, to assure a greater share of the benefits of housing and urban development programs to low-income families;

Third, to impose limitations and restrictions necessary to assure full responsibility and accountability in the administration of these programs; and

Fourth, to limit authorized expenditures to amounts which can actually be spent, and spent effectively, within the life of the authority.

I have become increasingly disturbed, Mr. Chairman, at three developments in the administration of housing and urban development programs to which I hope this House can give constructive attention. When all available information clearly indicates that the great bulk of substandard housing in the United States, which we are pledged to eliminate, is inhabited by the poor, I cannot understand how we can justfiy providing disproportionate assistance to middle-income people who, by definition, can afford in most cases to obtain adequate housing at going prices. Moreover, I believe we must take special care not to allow the benefits of housing and urban development programs to flow exclusively to those relatively few communities and organizations which possess the staffs of experts necessary to master the complexities of the programs. And finally, unless we are willing to continue wasting taxpayers' money and disillusioning the people who most need hope, we must take extraordinary measures to improve the management and operation of most housing and urban development programs.

Throughout the committee's hearings, a single theme recurred in the testimony of city and State officials, planners, builders, and financiers: redtape, excessive delays, and complex requirements are making a morass of the Federal Government's efforts to help the cities and the suburbs.

As a result, during the marking up of the bill, I proposed to our colleagues on the committee that we take official notice of this very difficult problem and urge the Department to redouble its efforts to correct these inadequacies. I was extremely pleased to receive substantial support from members of both parties, and so the committee report, on page 4, reflects our very real concern. While we recognize that HUD is not the only offender in the Federal bureaucracy, and that housing programs by their very nature are among the most difficult to administer efficiently, we also realize that things cannot go on as they now are and that the Department must place top priority on efforts to improve program management.

For these reasons, Mr. Chairman, I intend to offer an amendment at the appropriate time which would require the Secretary to report to the respective Committees on Banking and Currency each year, beginning with an interim report by January 15, 1969, on those areas of program administration which need improvement and on the steps he has taken and proposes to take to bring them about.

I have every reason to believe that officials at HUD are just as concerned about redtape as we are, but I have found that it is too easy simply to drift along on the tide of good intentions unless specific requirements have to be met. By requiring the Secretary to analyze his operation, identify its weaknesses, and propose corrective actions, we can at least initiate a systematic pattern of attention and action on these most elusive of problems.

Mr. Chairman, I believe that for the great majority of Members of Congress, our commitment to better housing, to more livable urban-suburban areas, and to greater opportunity for all our people is genuine and deep. Within the limits of our resources, and because those resources are limited, we must do more with what we have, we must make every dollar of investment pay off in results. Since we cannot do everything we might want to do, we must make certain that what we do is done well.

Mr. CARTER. Mr. Chairman, I make the point of order that a quorum is not present.

The CHAIRMAN. The Chair will count.

Seventy-two Members are present; not a quorum. The Clerk will call the roll.

The Clerk called the roll, and the following Members failed to answer to their names:

[Roll No. 234]

Abbitt	Fino	Mink
Albert	Flood	Moore
Anderson, Ill.	Fulton, Tenn.	Moss
Andrews, N. Dak.	Gardner	Passman
	Gathings	Pettis
Baring	Gettys	Philbin
Bell	Gibbons	Pickle
Blanton	Green, Oreg.	Podell
Bow	Grover	Pool
Brademas	Halleck	Pryor
Brock	Hanna	Railsback
Broomfield	Hansen, Idaho	Rarick
Carey	Hardy	Reinecke
Cleveland	Hawkins	Resnick
Collier	Holland	Rivers
Conyers	Horton	Roybal
Corman	Hosmer	Satterfield
Cramer	Hungate	Scheuer
Cunningham	Jarman	Schweiker
Dellenback	Jones, Mo.	Smith, Okla.
Diggs	Karsten	Steed
Dole	Keith	Teague, Tex.
Donohue	Kelly	Thompson, N.J.
Dulski	Kornegay	Tuck
Eckhardt	Landrum	Tunney
Edmondson	Lipscomb	Ullman
Edwards, La.	Long, La.	Van Deerlin
Esch	Lukens	Waggonner
Everett	McCloskey	Watkins
Evins, Tenn.	McMillan	Willis
Farbstein	Michel	Wolff

Accordingly the Committee rose; and the Speaker having resumed the chair, Mr. PRICE of Illinois, Chairman of the Committee of the Whole House on the State of the Union, reported that that Committee, having had under consideration the bill H.R. 17989, and finding itself without a quorum, he had directed the roll to be called, when 341 Members responded to their names, a quorum, and he submitted herewith the names of the absentees to be spread upon the Journal.

The Committee resumed its sitting.

Mr. PATMAN. Mr. Chairman, may I make this brief announcement? After conferring with the gentleman from New Jersey [Mr. WIDNALL] on the minority side, it is my belief that if Members will remain in attendance for a quorum until 6 o'clock, we can finish by that time. Does not the gentleman agree with that statement?

Mr. WIDNALL. I agree with the chairman.

Mr. PATMAN. I hope it can be arranged.

Mr. Chairman, I yield 10 minutes to the gentleman from Wisconsin [Mr. REUSS].

(Mr. REUSS asked and was given permission to revise and extend his remarks.)

Mr. REUSS. Mr. Chairman, there is little dispute about the scope and extent of this Nation's housing needs. Nor is there any question that, if these needs are to be met, a massive and comprehensive attack on our housing problem will be required. In the last decade, we constructed in the neighborhood of 14 million housing units. In the next decade, we must almost double that total. This means that during the next 10 years we must build half as much housing as presently exists.

A most important element in this massive building effort will be the provision of adequate housing for low- and moderate-income families. If the housing goals projected by the President in his message on housing and cities are to be met, we must be prepared to assist in the neighborhood of 6 million low- and moderate-income families achieve decent housing at costs they can afford. Now assistance on such a scale cannot, and should not, be undertaken by Government alone. It will require the concerted efforts of Government and private industry, of neighborhood and nonprofit groups and, most important, of the low- and moderate-income families themselves.

The new homeownership program and the rental and cooperative housing assistance program found in titles I and II of this bill should not be considered as simply two more "housing programs." These new programs are carefully integrated into the larger framework of the bill.

They are parts of a larger, coordinated effort which can lead to important institutional changes and to a major breakthrough in housing low- and moderate-income families.

The homeownership program in title I of this bill has resulted from long and careful deliberation by the Banking and Currency Committee. The proposed interest rate subsidy is appropriately flexible; it is linked to the income of the recipient so that the subsidy is based on need. At the same time, the subsidy is administratively simple to operate, and there is a minimum of redtape from the lenders' point of view. The difference between 20 percent of the mortgagor's income and the total monthly payment due on the market rate mortgage is paid directly to the lender, with the maximum subsidy being the difference between the market rate charges and the amount due if the mortgage bore interest at 1 percent.

This lack of redtape, and the FHA insurance, should encourage investment by the private sector, especially since HUD would be authorized to reimburse the mortgagee for any additional costs incurred in handling the mortgage. The benefits of this subsidy are carefully limited to the real needs of the recipient, however, and the mortgagor's income will be periodically recertified, with the amount of subsidy adjusted accordingly.

The companion rental assistance program in title II also links the amount of subsidy to income, and is even simpler in administration from the lenders' point of view. This program is based on interest reduction payments that lower rentals in a project to a basic charge. The tenant or cooperative member either pays the basic charge or 20 percent of his income, if that is a greater amount. The nonprofit, limited dividend, or cooperative mortgagor would make payments as though the mortgage bore an interest rate of 1 percent, with HUD making up the difference between this and the market rate. Rental charges collected by the mortgagor in excess of the basic rental charge would be repaid to HUD for use in making assistance payments under the program.

These new programs are strengthened and supplemented by other parts of the bill. Section 103 of the bill would permit FHA mortgage insurance in older, declining urban areas, without regard to some of the more stringent requirements which normally govern such insurance, if it is determined that the area is "reasonably viable" and the property is an acceptable risk giving consideration to the need for providing adequate housing for low-and moderate-income families in the area. For low- and moderate-income families who cannot qualify for regular FHA homeownership programs because of their credit histories or irregular income patterns, a new experimental program would be established in section 102 of the bill.

This section authorizes the Secretary of HUD to insure mortgages where he finds a family to be a "reasonably satisfactory" credit risk and capable of homeownership with the help of budget, debt management, and related counseling.

Because the mortgages insured under the four new programs I have mentioned would entail greater risks than have been typical in the past, a new special risk insurance fund would be established by section 104 of the bill to handle any losses incurred under them. This fund would not be expected to be actuarially self-sustaining, and appropriations to the fund would be authorized, whenever necessary, to cover losses.

By themselves, these new programs represent a major new effort in the field of low- and moderate-income housing. They make up the most coherent and comprehensive attack on the problem of decently housing low- and moderate-income families ever made.

Mr. ST GERMAIN. Mr. Chairman, will the gentleman yield?

Mr. REUSS. I yield to the gentleman from Rhode Island.

(Mr. ST GERMAIN asked and was given permission to revise and extend his remarks.)

Mr. ST GERMAIN. Mr. Chairman, I rise today to express my support of the Housing and Urban Development Act of 1968 which I regard to be one of the most important pieces of social legislation which this Congress has been called upon to consider.

This massive and comprehensive housing bill stands as a milestone in our Nation's struggle to provide decent housing for every American and I, for one, am pleased to have been privileged to be intimately engaged in the drafting of this most significant legislative measure as a member of the Subcommittee on Housing.

H.R. 17989, Mr. Chairman, is the product of 2 years of extensive study and recommendations.

Since 1949, we have been saying that the national goal is a decent home and a decent environment for every American family. That goal is affirmed by this legislation which further emphasizes that the highest priority be given to meeting the housing needs of those families for whom the national goal has not become a reality.

Thus, our Nation will live up to its promise of equal opportunity for all our people.

Furthermore, I want to call your attention to the fact that the programs this legislation provides are designed so as to provide employment for lower income persons residing in areas where housing is built with its aids. This is important and timely in a period when jobs must be found for the unemployed—including our unemployed youth—in the core cities.

The main thrust of this legislation is to encourage the greatest possible involvement of the private sector in developing needed housing for the low- and moderate-income market. This is not a new concept. What is new is that for the first time we are with this legislation making it possible for private enterprise to meet the market on the scale that is needed.

Let me point out that this legislation comes at a most timely moment. There is a changed climate in this country; business leaders are also calling for greater involvement in social concerns. The insurance companies of America, are taking up arms against ghetto conditions with a billion-dollar pool to be used to provide housing and jobs.

Support has come from organizations representing every facet of the free enterprise system. For the first time, in our

recent history, so far as I know, Americans of every background and all political alinements are in close agreement about the fact that something must be done.

H.R. 17989 points the way. It provides what the Federal Government can contribute to achieving the level of production and the broad and cohesive effort needed to provide American cities and American families with essential housing and facilities. The legislation encompasses:

Homeownership for low- and moderate-income families through a program of interest-rate subsidies. This program would be carried out with FHS mortgage insurance. The family would pay 20 percent of its income on the mortgage. The Federal subsidy would make up the difference between what the homeowner pays and the total cost of the mortgage down to a 1 percent interest.

With the help of a counseling service that would help families with budgeting of income and debt management, we hope and expect this program will make homeownership a reality and not a dream for many families.

Rental and cooperative housing for low- and moderate-income families, also through a subsidized interest rate. The volume of this housing would be increased by tapping a much broader array of private mortgage capital funds. In this housing, the family would pay 20 percent of income in rent; the subsidy would make up the rest down to a 1 percent mortgage interest rate.

This is a natural complement to the homeownership program. The rental program assist families not desiring, or prepared for, homeownership.

Assistance to nonprofit sponsors of low and moderate income housing would include technical assistance with respect to construction, rehabilitation, and operation of low- and moderate-income housing. Up to 80 percent interest-free loans would be available to cover preconstruction costs. Thus, many nonprofit organizations would be encouraged to contribute their services to the total effort to provide housing for needy families.

NATIONAL HOUSING PARTNERSHIPS

This would apply capital, business, and managerial skills to the problems of housing for families of low- and moderate-incomes. Private corporations organized for profit would provide housing and related facilities for families and individuals of low or moderate incomes, with or without the use of Federal assistance.

Let me emphasize that the national housing partnerships, privately administered under Federal charter, are directed toward bringing large-scale capital into the lower income housing field on a private basis. It meets our need to enable large business, with capital to invest, to move into this housing field, using the various Federal aids available, with certain tax protections and benefits to support such a risk for private capital, particularly during nonprofit development stages.

These are the new housing programs in this legislation. It also speaks for the full range of urban needs. It improves and expands public housing, and urban renewal. It expands access to mortgage funds. It extends assistance for supporting community facilities and services and substantial additional funds for the water and sewer program. It improves the effectiveness of housing rehabilitation. It assists in rehabilitating and preserving older neighborhoods, and provides for an essential riot reinsurance program to aid the homeowners and small businessmen to obtain the needed property insurance protection in order to stay in business.

While this bill reflects in large measure the recommendations of the administration with regard to housing and urban development programs, I wish to emphasize, Mr. Chairman, one of the very significant problems in this area to which the Committee on Banking and Currency was particularly responsive.

This concerns the need for rehabilitation money to assist people who are not within urban renewal or code enforcement areas. The homeowner of limited resources—perhaps a widow taking in roomers as a principal source of income—is often unable to obtain adequate financing from private sources when a new roof or new plumbing is needed. At present, such a homeowner is not eligible for Federal loan or grant assistance when the home is outside the renewal or code enforcement area. This problem had not been adequately treated by the administration bill. The committee realized that more was needed.

Accordingly, our proposal expands the section 115 rehabilitation grant program and the section 312 rehabilitation loan program to provide significant loan and grant assistance for the rehabilitation of properties which are not otherwise eligible for assistance under the existing programs. The expansion will serve to improve very substantially the range of needed assistance which we are making available.

We can, Mr. Chairman, by the passage of this bill, do much to provide for the well-being and improvement of our urban areas and for the furtherance of our announced and reaffirmed goal of "the realization as soon as feasible of the goal of a decent home and a suitable living environment for every American family."

Another important change in the administration bill adopted by the committee would expand the range of sponsors who could provide housing for the elderly and the handicapped under the 202 direct loan program. At my suggestion, the committee amended this program to permit limited profit sponsors to qualify for the 90-percent loans. Thus private, profit-motivated businessmen will be able, for the first time, to participate in this important program.

Mr. ANNUNZIO. Mr. Chairman, will the gentleman yield?

Mr. REUSS. I yield to the gentleman from Illinois.

(Mr. ANNUNZIO asked and was given permission to revise and extend his remarks.)

Mr. ANNUNZIO. I thank my distinguished colleague from Wisconsin for yielding.

RIOT INSURANCE SECTION OF H.R. 17989

Mr. Chairman, I rise to express my particular support for title X, the Urban Property Protection and Reinsurance Act of 1968. This pioneer proposal aims to make essential property insurance more readily available in our inner city areas through the operation of FAIR plans. These FAIR plans will, if properly designed, eliminate the practice of "blacking-out" or "red-lining" whole geographical areas in our inner cities and others, excluding the residents, the businessmen and property owners in those areas from access to the insurance market. The workability of these FAIR plans is conditioned upon the goodwill and cooperation of the insurance industry and the various State insurance commissioners. The Federal Government adds additional incentive for the successful operation of the FAIR plans by requiring FAIR plan participation by the industry and the States as a condition of eligibility for the riot reinsurance proposed by the bill.

Mr. Chairman, I supported this legislation when it was introduced, during the hearings before the subcommittee and during the executive sessions of the full committee. Unfortunately, the proposal is deficient in one respect. I feel that it does not deal sufficiently with one of the major insurance problems in our cities today. I refer, Mr. Chairman, to the problem of obtaining crime insurance commensurate with the ability of the policyholder to pay.

At the full committee markup of the bill, I proposed several amendments. I wanted to make sure that the definition of "essential property insurance" as it appears in section 1203(a)(2) specifically included insurance against the perils of robbery, holdup, arson, and such other crimes as the Secretary would designate. My amendments also provided for a plan of direct writing of crime lines insurance in the event the private industry was unable or unwilling to provide such insurance at rates which the policyholder could afford to pay.

The committee did not accept my amendments because during the deliberations of the committee, it was pointed out to me that the terms "burglary and theft" and "fire and extended coverage," as they appeared in the bill, were intended to cover robbery, holdup, and arson insurance. It was explained by the staff that the terms "burglary and theft" and "fire and extended coverage" were not legal terms and, that in insurance company parlance, they included the types of crime insurance which were covered in my amendments. The committee agreed that report language should be written reflecting the committee's understanding that robbery, holdup and arson insurance are included in the definition of "essential property insurance" contained in section 1203(a)(2).

Consequently, pages 79 and 80 of the House committee report contain the following language:

During the executive session, amendments were offered to extend the definition of "essential property insurance" and "standard lines of property insurance" to include pro-

tection against arson, robbery, and such other lines of property insurance as the Secretary may determine. The amendments were not accepted because it was explained that the term "burglary and theft", as used in the bill, includes protection against robbery and holdup, and that the "fire" portion of the fire and extended coverage policy includes protection against arson. To make this point clear, it was unanimously agreed to incorporate in the report the committee's understanding that the term "fire and extended coverage" insurance includes insurance against arson. Similarly, the term "burglary and theft insurance", as used in this title, includes insurance against robbery, holdup, and similar crimes.

I want it to be made unmistakably clear to those who will be responsible for the administration and operation of title X that the committee report language means exactly what it says. It means that essential property insurance must be made available to our inner city residents at reasonable cost and this insurance includes insurance against losses from robbery, holdup, and arson.

Mr. Chairman, the action of the committee served only to verify the original intent of this legislation. As the Members of the House are aware, this bill emanated from the report of the President's National Advisory Panel on Insurance in Riot-Affected Areas. On page 10 of its report, the Panel stated its belief that the FAIR plans will, among other things, "secure for all property owners equitable access to all basic lines of property insurance."

The Panel was well aware of this problem of crime insurance. On page 20 of its report, it noted that reported and unreported crime losses to property had been estimated at almost $4 billion a year. The Panel quite rightly observed that "whatever the real magnitude of property losses from criminal activity, crime insurance is viewed by those exposed to loss as an essential protection."

This staggering figure of $4 billion a year losses from criminal activities almost pales into insignificance the $75 million or so 1967 losses from riots. From the very beginning, I have maintained that there is not a single argument in favor of reinsurance for riots that does not equally apply to affording protection from crime losses at reasonable cost. crime insurance is just as important as riot insurance. Just as the industry tells us that riot losses can become catastrophically high, thereby posing a threat to the economic improvement of the community, we know that crime losses are already astronomically high and create the same problems for homeowners and small businessmen in the inner city as riot losses.

The panel also recognized that coverage under burglary and theft policies, as a rule, included coverage for crime losses. The Panel stated the terms "burglary and theft" were insurance company terms and included insurance against crime losses.

On page 89 of its report, the Panel recommended that the FAIR plans should assist property owners in obtaining burglary and theft insurance. In making its recommendation, the Panel stated:

It may be necessary to redesign the crime policies—by appropriate use of deductibles, requirements for protective devices, and other underwriting controls—in order to make such policies economically sound from the point of view of the insurer and the insured.

The Panel recognized the need for more research and experience with crime insurance in the urban core but stressed that the FAIR plans should be able to offer at least a "basic opportunity to those wishing to purchase crime insurance."

The concept of crime insurance coverage under the FAIR plans was carried over from the recommendations of the President's Panel into title X of the present bill. Indeed, the findings and declaration of purpose set forth in section 1002 refer to the plight of responsible owners of well-maintained residential, business and other properties who cannot "obtain adequate property insurance against fire, crime and other perils; the lack of such insurance coverage accelerates the deterioration of these areas by discouraging private investment and restricting the availablility of credit to repair and improve the property therein; and this deterioration poses a serious threat to the economy." Section 1002(a)(4) states that the national interest demands urgent action by the Congress to assure that essential lines of property insurance, including lines providing for protection against riot and civil commotion damage be available to property owners at reasonable cost. Section 1002(b) holds the purpose of the title to encourage and assist the property insurance industry to develop and carry out statewide programs which will make necessary property insurance coverage against fire, crime, and other perils readily available. If the Federal Government, the States, and the industry enter into FAIR plans which do not make provision for the writing of crime lines insurance at a reasonable cost, they will be flouting the very purpose of the act.

I cannot emphasize too strongly that the crime lines insurance must be offered at reasonable cost. By reasonable cost, I mean a premium price which is commensurate with the ability of the property owner to pay. To me, there is no difference between the industry's refusal to write any insurance at all or their willingness to write the insurance rates so high as to be prohibitive.

I am aware that the premium cost of crime insurance presents special problems. Indeed, this is recognized by section 1235 of the bill which calls for special studies of reinsurance and other means to help assure an adequate market for burglary and theft and other property insurance in urban areas. But, if the FAIR plans are not providing crime lines insurance at reasonable cost, then the very structure of the whole act will be threatened. It makes no sense to afford riot reinsurance in order to make essential property insurance available and at the same time continue a situation where crime insurance is unavailable or is available only at extravagantly high rates.

During the last session of Congress, I supported a bill, H.R. 10409, which incorporated H.R. 5584 which I introduced in the House on February 16, 1967. I should like to point out to my colleagues in the House that this legislation was introduced prior to the riots that occurred in Detroit, Newark, Chicago, Washington, D.C., and many other cities all over our Nation. My bill, H.R. 5584, became title III on page 13 of H.R. 10409, which called upon the Small Business Administration to conduct a study and make appropriate recommendations to determine ways that small businesses could protect themselves from criminal activity. This bill was subsequently incorporated into S. 1862, which became law last October 1967. The results of that study are due this fall.

I am confident that the Small Business Administration will make positive and meaningful recommendations for legislation. Such legislation, coupled with effective operation of the FAIR plans, may well be one of the most effective benefits conferred upon small businessmen all over America in recent years.

Mr. KARTH. Mr. Chairman, will the gentleman yield?

Mr. REUSS. I yield to the gentleman from Minnesota.

(Mr. KARTH asked and was given permission to revise and extend his remarks.)

Mr. KARTH. Mr. Chairman, I rise in support of the Housing and Urban Development Act of 1968—H.R. 17989, a milestone in urban legislation. I am impressed by the scope of its programs directed toward meeting the Nation's growing housing and urban development problems. What is particularly significant, is the emphasis placed on increasing the supply of standard housing for the Nation's ill housed. For one thing, it proposes an entirely new program of homeownership, whereby the poor can become active partners in America and its future. Under this pioneering program, homeownership would be subsidized by a Federal payment to the mortgage lender which would reduce the homeowners monthly mortgage payment. In the field of rental housing for low- and moderate-income families, a companion prgram provides for rental housing with an interest subsidy as low as 1 percent and related to the tenant's income.

Other provisions are designed to increase the volume of housing for low-income families by continuing and expanding the 30-year public housing program, through involvement of private enterprise in construction and even management under the turnkey process. Still another provision in the bill intended to stimulate the private production of housing for low- and moderate-income families authorizes special FHA mortgage insurance for such families who cannot meet regular credit standards, but who are reasonably satisfactory risks with budget and related counseling. A new system of national housing partnerships is also proposed between private enterprise and the Federal Government, with tax incentives to help make the low- and moderate-income market more attractive to private investors.

In the field of urban renewal the bill makes possible the better utilization of funds into projects which will provide

more new and rehabilitated lower-income housing.

The bill also expands and continues the new model cities program, which embodies innovative approaches to renewing slum and blighted neighborhoods.

In my opinion H.R. 17989 establishes the timetable if we are to meet the crisis of our cities.

President Johnson said in his message on the cities:

> If the promise of the American city is to be recaptured, if our cities are to be saved from the blight of obsolescence and despair—we must now firmly set the course that America will travel. There is no time to lose.

Your favorable vote on this vital and significant legislation will put America on that course.

Mr. TIERNAN. Mr. Chairman, will the gentleman yield?

Mr. REUSS. I yield to the gentleman from Rhode Island.

(Mr. TIERNAN asked and was given permission to revise and extend his remarks.)

Mr. TIERNAN. Mr. Chairman, I would also like to commend the gentleman for bringing this bill to the floor at this time.

[Mr. TIERNAN further addressed the Committee. His remarks will appear hereafter in the Extensions of Remarks.]

Mr. PATTEN. Mr. Chairman, will the gentleman yield?

Mr. REUSS. Mr. Chairman, I yield to the gentleman from New Jersey.

(Mr. PATTEN asked and was given permission to revise and extend his remarks.)

Mr. PATTEN. Mr. Chairman, I rise to support the Housing and Urban Development Act of 1968.

I want to speak particularly about its property protection and reinsurance features which I consider excellent answers to two problems of critical proportions.

The insurance proposals substantially implement the principal recommendations of the President's National Advisory Panel on Insurance in Riot-Affected Areas. The Panel made a thorough study of the problems and of the possible solutions. Their conclusions seem to me to meet the case.

The great need for property insurance in our central cities—a need for fire and extended coverage, for insurance against vandalism and malicious mischief, coverage against burglary and theft; and

The critical need for reinsurance against property loss from riots and civil disorders in all standard lines of property insurance.

Householders and shopkeepers by the thousands in the urban cores of our older metropolitan areas are unable to purchase property insurance. Because these areas frequently have a large proportion of deteriorated, poorly maintained, and old housing and a large number of vacant buildings and stores, the exposure to fire hazard is generally greater. There are in these same areas many good homes and businesses with owners of high responsibility.

Many insurance companies and their agents have maintained maps outlining boundaries within which it is uneconomical to write property insurance policies. This amounts to a blanket ban on entire areas. Insurable risks are not distinguished from uninsurable risks.

The implications of such denials of insurance for an economically depressed area are indeed grave. The area of blight grows larger as homeowners and businessmen, for lack of insurance, leave the area. Without insurance, a homeowner and a businessman cannot get credit from a bank or other lender to repair a structure or carry an inventory.

The insurance proposal before us would remedy the present untenable situation. It would encourage the State commissioners of insurance to cooperate with the private insurance industry in developing statewide plans to make essential property insurance available.

Key features of the plans are inspection facilities and placement facilities which help greatly to surmount the property insurance problems of the many thousands of our citizens who are trying to maintain their homes and businesses in urban core areas.

The insurance companies would operate facilities for inspecting properties to establish whether they are insurable. No property would be denied insurance without an inspection, without cost to the owner, and a determination that the property is not insurable.

Placement facilities would help agents and brokers place insurance with companies after physical inspections establish that a property is insurable.

The other problem which this legislation meets is reinsurance against loss from riots and civil disorders. This is a problem which insurance companies have been encountering in recent years as a result of the riots and the threat of riots.

Most property insurers reinsure against losses from catastrophes with several large reinsurers. For a premium covering a wide range of catastrophe perils—explosions, hurricanes, and riots, among others—insurance companies purchase reinsurance for all their standard lines of property insurance. The property owner of a home, a business, or an industrial plant has coverage not only against loss from an isolated peril such as fire which may accidentally occur on his own premises but also from a catastrophic fire as a result of a riot which engulfs his as well as other property in the area.

Insured losses from riots and civil commotion in recent years—an estimated $60 million in 1967 and already as much as perhaps $75 million so far this year, and a threat of more to come—has impaired the reinsurance market. Reinsurance is becoming as unavailable for the insurance companies as property insurance is for the homeowner or businessman.

The problem of reinsurance is critical because entire metropolitan areas may be affected if insurance companies cannot purchase reinsurance. Policies in a variety of standard lines of insurances—fire and extended coverage, boiler and machinery, inland marine, plate glass, and burglary and theft, to mention only a few—may have to be canceled where there may be a threat of riots or civil disorders. Wholesale cancellations of policies can be a most serious matter for advances of credit by lending institutions which have an insurable interest in mortgages, raw materials, and business inventories. A credit crisis could threaten the economy if such cancellations were permitted to happen.

Title X of this act would meet this critical, national need for reinsurance through the sale of Federal reinsurance against riot and civil commotion losses. The insurance companies would pay for this reinsurance and would also share in the losses along with the States and the Federal Government. This availability of reinsurance from the Federal Government should provide the necessary incentives for the States and the insurance industry to cooperate in developing and operating the statewide plans to make property insurance more readily available.

I strongly urge the enactment of this title.

Mr. BOLAND. Mr. Chairman, will the gentleman yield?

Mr. REUSS. I yield to the gentleman from Massachusetts.

(Mr. BOLAND asked and was given permission to revise and extend his remarks.)

Mr. BOLAND. Mr. Chairman, I rise in support of H.R. 17989, the Housing and Urban Development Act of 1968. This is a bill which merits the support of all of us who are vitally concerned with the future of our American cities, regardless of size and geographical location. By passing this measure, we will be affirming a national goal first enunciated in 1949. That goal was "a decent home and a decent environment for every American family."

Almost two decades have passed since the enactment of the Housing Act of 1949. As a member of the House Appropriations Committee for 14 years, sitting on the subcommittee responsible for the funding of these housing programs, I am firmly convinced that the legislation we are considering today at long last puts us firmly on the road to realizing that goal.

True, there have been earlier housing bills addressed to the problems of our cities, and all of them have provided substantial assistance in building a better and stronger America.

Over the years we have been addressing ourselves to housing needs, and urban renewal; rehabilitation; public works; open space and recreation; transportation, and planning as well as other elements of urban growth.

In previous measures we were successful in putting on the books such innovative programs as water and sewer grants, grants for advance acquisition of land and new aids for code enforcement.

We enacted the rent supplement program, and just 2 years ago we passed the model cities program, a most innovative concept of Federal aid to help cities, both large and small, revitalize slum and blighted areas by a massive concentration of Federal aid, as well as State and local resources.

Today, we are considering a bill that extends and makes improvements in many of these earlier bills. H.R. 17989

represents the considered judgments of the respective committees of the Congress, as well as the views of the scores of citizens and organizations who have given these committees the benefits of their views and experience in the field of housing and urban development.

I am firm in my belief that this bill will provide the impetus the Nation needs to move forward in its battle against slums and blight. I am particularly impressed with the emphasis placed on providing a substantial volume of housing for the poor and disadvantaged. Further, I endorse the requirement that in the production of housing for low-income families, opportunities for employment will be given to lower income persons living in the areas where such housing will be built.

TITLE I—LOW- AND MODERATE-INCOME HOUSING

Now, I would like to address myself briefly to some of the more important portions of this bill. Title I provides a new program of homeownership for low- and moderate-income families, with the Federal Government making periodic payments to lenders who make FHA-insured home mortgage loans to these families. This new program would bring homeownership within the reach of thousands of families who otherwise would have to live in unsatisfactory housing. Other significant portions of this title provide special FHA mortgage insurance for low- and moderate-income families who cannot meet regular credit standards, but who are "reasonably satisfactory" risks with budget and related counseling. It also authorizes FHA mortgage insurance for the purchase, repair, rehabilitation, or construction of housing located in an older, declining urban area without regard to the normal requirements of a particular FHA mortgage insurance program, if FHA finds that the area is reasonably viable, and the property is an acceptable risk.

The title also sets up a new special risk insurance fund that would benefit the new special mortgage insurance programs for housing for low- and moderate-income families. It provides special technical assistance and interest-free loans to nonprofit sponsors for the construction, rehabilitation and operation of low- and moderate-income housing to cover certain preconstruction costs under federally assisted programs. A National Home Ownership Foundation would also be authorized to carry out a continuing program of encouraging private and public organizations to provide increased homeownership and housing opportunities in urban and rural areas for lower income families.

TITLE II—RENTAL HOUSING FOR LOW- AND MODERATE-INCOME HOUSING

Title II is especially deserving of your support. It would authorize a new program of Federal assistance to rental and cooperative housing for low- and moderate-income families. The assistance would be in the form of periodic payments to the mortgage financing the housing to reduce the mortgagors' interest costs on a market rate project mortgage. The rent supplement program would be expanded to meet the growing need for housing, and the 30-year-old public housing would be continued and expanded by increasing the authority for annual contributions by $100 million on enactment of the bill and by $150 million on July 1, 1969, and July 1, 1970. Title II also calls for grants to local housing authorities to help finance tenant services in public housing.

TITLE III—FHA MORTGAGE INSURANCE

Title III provides for a series of perfecting and liberalizing changes in existing FHA mortgage insurance programs. One change worth noting allows the cost of major nursing home equipment to be included in an insured nursing home mortgage. Another change increases the loan limitation in the FHA home improvement loan insurance program from $3,500 to $5,000, extends the maturity from 5 to 7 years and permits a small increase in financing charges.

TITLE IV—URBAN RENEWAL

Title IV deals with urban renewal program, and provides a significant change in the program by authorizing Federal financial assistance to neighborhood development programs. Such a program would consist of urban renewal project undertakings and activities in one or more urban renewal areas that are planned and carried out on the basis of annual increments. Financing would be based on the amount of loan and grant funds needed to carry out the activities planned during a 12-month period in each of the urban renewal areas included in a community's program.

The authorization for urban renewal grants would be increased by $1.4 billion on July 1, 1969, and in addition, the authorization for urban renewal grants for projects in model cities areas would be increased by $350 million on enactment. Rehabilitation loans and grants are continued. The title also provides that 20 percent of the housing built in predominantly residential reuse urban renewal areas be for low and moderate income families.

TITLE V—URBAN PLANNING AND FACILITIES

Title V would authorize Housing and Urban Development to make comprehensive planning grants to State planning agencies for assistance to district planning agencies for rural and other nonmetropolitan areas. A grant authorization of $20 million would be provided for these planning grants in fiscal 1969, and the Secretary of Agriculture would be given certain functions with respect to planning grants for districts, including a requirement that he be consulted before any such grant is made.

The Secretary of Housing and Urban Development would be authorized to make planning grants directly to cities within metropolitan areas—without population limit—and to Indian tribal planning councils or other bodies for planning on Indian reservations. Grants would also be authorized for regional and district councils of government, as well as those organized on a metropolitan basis.

Title V also provides for supplementary grants for planned areawide development; advance acquisition of land, and continuation of the interim planning requirements provision of the water and sewer facilities grant program from July 1, 1968 to October 1, 1969. The authorizations for appropriations for the water and sewer, neighborhood facilities, and advance acquisition of land programs would be extended.

TITLE VI—URBAN MASS TRANSPORTATION

The appropriations authorized for grants and other assistance to urban mass transportation would be increased by $190 million for fiscal year 1970, and the amount of funds which could be used for research, development, and demonstration projects commencing July 1, 1968, would be increased by $6 million, with the limit removed commencing July 1, 1969.

TITLE VII—SECONDARY MORTGAGE MARKET

FNMA's present secondary market operation would be turned over to a Government chartered private corporation known as the Government National Mortgage Association—GNMA. The present special assistance and management and liquidating functions would be operated by the new GNMA.

In the interests of time, I shall summarize the remaining titles in the bill, all of which are essential and merit your support.

TITLE VIII—NATIONAL HOUSING PARTNERSHIP—NHP

NHP would join with local investors to mobilize private capital and business skills to build low- and moderate-income housing. Investors as limited partnership have no liability beyond investment; and investors do have possible tax advantage on any partnership losses.

TITLE IX—RURAL HOUSING

Authorizes direct and insured loans in rural areas for low- and moderate-income families and to cooperatives for rental housing where title I or II assistance is not available. Interest supplements are available. Also authorized are grants and loans administered by the Secretary of Agriculture to assist mutual and self-help housing enterprises.

TITLE X—NATIONAL INSURANCE DEVELOPMENT PROGRAM

Authorizes a Federal program of reinsurance against property loss from riots to private insurance companies so as to continue regular line coverage againt extraordinary losses. Losses to be shared by companies, the State, and by the program fund. FAIR plans are also required to assure property owners fair access to property insurance. Rehabilitation loans and grants would be available to property owners to assist them in bringing their property up to insurable standards—amendment in title IV.

Mr. Chairman, drafted to answer a pressing need, the proposed national insurance development program would help provide adequate insurance and reasonable rates for property owners in urban districts highly vulnerable to riot damage. Many industries, businesses, and individuals cannot obtain the kind of insurance they need—or can obtain it only at prohibitively high rates—because their property is situated in areas the insurance companies deem "riot risks." This puts an onerous burden on the shoulders of urban property owners, forcing them to exist without insurance in neighbor-

hoods simmering with social malaise or to pay astonishingly high rates for what insurance they can get.

Other problems—problems or major sociological significance—arise. Ghetto landlords, for example, are relucant to rehabilitate uninsured or inadequately insured buildings for fear their investment may go up in smoke. And urban businesses—the kind of businesses that provide employment in the ghetto—are being driven out of our cities by soaring insurance rates and dwindling insurance coverage.

The insurance companies, of course, cannot be criticized for the problems I have just outlined. These companies merely set rates commensurate with risk. What is needed to attack these problems is the kind of Federal action proposed in this bill—a program of riot reinsurance.

TITLE XI—NATIONAL FLOOD INSURANCE

Mr. Chairman, Title XI of this legislation provides for a national flood insurance program, which I advocated many years ago following the disastrous and ruinous New England floods accompanying Hurricane Diane on August 19, 1955. The bill I filed in the 84th Congress was H.R. 9071. Congress authorized the establishment of the Federal Flood Indemnity Administration in the Housing and Home Finance Agency when it passed the Federal Flood Insurance Act of 1956.

As a member of the Independent Offices and Housing Appropriations Subcommittee, I led the fight on the floor of this House to appropriate funds for the Federal Flood Indemnity Administration. We from New England whose region had suffered so much in lives lost and property damage were not successful, and the flood insurance program died for lack of adequate appropriations. It took a series of natural disasters in all sections of this Nation during the ensuing 12 years to again underscore the urgency and need for this type of insurance.

The Secretary of Housing and Urban Development would be authorized to establish and carry out a national flood insurance program which would enable persons to purchase insurance against loss resulting from physical damage to or loss of real property or personal property arising from any flood occurring in the United States. He would be directed to encourage and arrange for maximum participation in the program by insurance companies and other insurers, and by related agents, brokers and organizations.

The Secretary would be authorized to borrow up to $150 million from the Treasury to carry out the insurance program. A national flood insurance fund would be established for making payments authorized by the bill, including premium equalization payments and reinsurance for losses in excess of losses assumed by insurance company pools formed to provide flood insurance.

TITLE XII—FHA MORTGAGE INSURANCE FOR NONPROFIT HOSPITALS

A new FHA mortgage insurance program would be authorized for nonprofit groups to build and rehabilitate hospitals. The maximum mortgage amount could not exceed $25 million nor 90 percent replacement cost.

TITLE XIII—HOUSING GOALS AND ANNUAL HOUSING REPORT

The Congress reaffirms the national housing goal stated in the Housing Act of 1949 and determines that it should be met within the next decade by the construction or rehabilitation of 26 million housing units, 6 million of these for low and moderate income families.

The Secretary of Housing and Urban Development would be required to submit annually to the President and to the Council of Economic Advisers a report of—

First, his estimate of the number of standard housing units produced through new construction and rehabilitation the preceding year;

Second, his estimate of the number of such units produced for low and moderate income families;

Third, his assessment of whether the 10-year housing goal is being met;

Fourth, his recommendation of the current annual goal to meet the 10-year goal; and

Fifth, his recommendations of the legislative and administrative actions necessary to achieve the 10-year goal.

TITLE XIV—MISCELLANEOUS

MODEL CITIES

The authorization for supplemental grants for model cities would be increased by $1 billion for fiscal 1970, and an additional $12 million would be authorized for fiscal 1969 for grants for planning model cities programs. Amounts authorized but not appropriated would be made available for appropriation for any succeeding fiscal year commencing prior to July 1, 1970.

URBAN RENEWAL DEMONSTRATION GRANTS

Urban renewal demonstration grants would be authorized to be made to nonprofit organizations. Under present law these grants are available only for public bodies.

The limit on the amount of urban renewal demonstration grants would be increased from two-thirds of the cost of the undertakings to 90 percent of the cost.

The amount of funds available for the grants would be increased from $10 million to $20 million.

URBAN INFORMATION AND TECHNICAL ASSISTANCE GRANTS

The authorization for grants to States to assist in the provision of urban information and technical assistance would be increased by $5 million for fiscal 1969, and by $15 million for fiscal year 1970.

Amounts authorized for these grants but not appropriated could be appropriated for any succeeding fiscal year commencing prior to July 1, 1970.

ADVANCES IN TECHNOLOGY IN HOUSING AND URBAN DEVELOPMENT

Such sums as may be necessary would be authorized to be appropriated, commencing with fiscal year 1969, for studies of new and improved techniques and methods of applying advances in technology to housing construction and rehabilitation, and to urban development. Three-year contracts would be authorized for such studies rather than 2-year contracts as presently authorized.

COLLEGE HOUSING

Annual grants would be authorized to be made by the Secretary of Housing and Urban Development for college housing. Under present law, the Secretary is only authorized to make loans. The grants would be made to reduce the cost of borrowing for college housing. The grants could be made over a period of not more than 40 years and could be in an amount equal to the difference between, first, the average annual debt service which would be required to be paid, during the life of a loan, on the amount borrowed from sources other than the Federal Government, and second, the average annual debt service which the educational institution would have been required to pay, during the life of the loan, on a Federal loan. The grant contracts could not aggregate an amount greater than authorized in appropriation acts, and the total amount of grants which would be paid in any year could not exceed $10 million, which amount would be increased by $10 million on July 1, 1969. Grants as well as loans would also be authorized to acquire existing facilities which are not in need of rehabilitation or renovation.

HOUSING FOR THE ELDERLY

Limited profit sponsors would be made eligible for Federal loans for housing for the elderly. Loans to such sponsors would be limited to 90 percent of development cost of the housing.

Mr. ROGERS of Colorado. Mr. Chairman, will the gentleman yield?

Mr. REUSS. I yield to the gentleman from Colorado.

Mr. ROGERS of Colorado. Mr. Chairman, I understand there has been a great deal of discussion about the Financial Institution Act that has been reported from the committee on which the gentleman sits, the Banking and Currency Committee. That bill itself is not included in this particular bill, H.R. 17989?

Mr. REUSS. That is correct. It is excluded.

Mr. ROGERS of Colorado. Mr. Chairman, there are, however, some changes made in the Home Owners' Loan Act of 1933, as appears on page 275 of the bill. I direct the attention of the gentleman particularly to lines 16 to 18, which say: "and may issue such passbooks, time certificates of deposit, or other evidence of savings accounts as are so authorized."

Placing the emphasis on "savings accounts as are so authorized," could there be any authorization either by the association or otherwise of any accounts that are not savings accounts?

Mr. REUSS. No, there could not be. These refer entirely to so-called time or savings deposits, not demand deposits. That is, the relationship which banks have to their depositors are not permitted under this legislation.

Mr. ROGERS of Colorado. I take it from the answer of the gentleman that any evidence of savings banks, if so authorized, would not constitute what we commonly refer to as shares or stock of a company?

Mr. REUSS. That is correct. Stock is not included.

Mr. ROGERS of Colorado. On page 276, reference is made to the fact that

a minimum term of not less than 30 days may be required before amounts can be withdrawn. May I inquire to what extent the building and loan association or its charter may require as a length of time in which an individual may give notice before he can withdraw the sums from the building and loan association?

Mr. REUSS. I would say to the gentleman from Colorado, this legislation allows the savings and loan association by its charter to place almost any length of time on its withdrawal requirement that it wishes. Obviously a savings and loan association would like to have as long-term money coming in through the incoming window as it can, but it is only commonsense to point out that if it places too long a withdrawal time, it just is not going to get any money coming in.

Mr. ROGERS of Colorado. I take it they are authorized to put whatever limitation they want, and I assume it would have to meet with the requirement of the Board also.

Mr. REUSS. That is correct. The Board may by regulation prescribe.

Mr. ROGERS of Colorado. Directing the attention of the gentleman now to line 15 on page 276, where it says, "Savings accounts shall not be subject to check or to withdrawal or transfer on negotiable or transferable order or authorization to the association," does the gentleman envision the building and loan association will have the right to set up some system to require a means whereby savings accounts will be transferred back and forth?

Mr. REUSS. No, that would be prohibited. The sense of the sentence to which the gentleman from Colorado refers is that a demand deposit, the funding of which passes by check, is prohibited. A savings account may be transferred, but only on a nonnegotiable basis.

Thus, if there is devolution by death, let us say, of course the savings and loan association could provide that the widow succeed to the account.

Mr. ROGERS of Colorado. I direct the gentleman's attention to page 277, lines 14 to 16, authorizing the association to make loans not exceeding $5,000, for the repair, equipping, alteration, or improvement of any real property, including the construction of new structures related to residential use of the property.

My question is: Can this money be used for any kind of equipment in connection with that home?

Mr. REUSS. If it satisfies the statutory definition of equipping or improvement of any real property, I would think it could be, yes.

Mr. ROGERS of Colorado. Does the gentleman believe it is possible for the FHA to guarantee this loan the same as it would guarantee the other loan on the property itself?

Mr. REUSS. I would not think so. The FHA guarantees only real property; it does not guarantee consumer durable goods, for example. In fact, as the gentleman from Colorado undoubtedly knows, savings and loan associations by and large rely on conventional mortgage financing and do not much use FHA, so even on real estate, while FHA probably could be used, it would not in fact be used.

Mr. ROGERS of Colorado. I thank the gentleman for his explanation.

Mr. WIDNALL. Mr. Chairman, I yield 10 minutes to the gentleman from New York [Mr. HALPERN].

Mr. HALPERN. Mr. Chairman, in the introduction of the National Housing Act of 1949, the housing goal for America was spelled out in these words: "a decent home and suitable living environment for every American family."

While we have made some progress, we have sadly failed to reach anything like that goal in terms of today's needs. Our present housing problems sadly reflect the gap between the poverty stricken families who live in substandard housing and the affluent majority.

A paradox exists in our great American cities today. As beautiful new buildings rise to the sky, old ones crumble and decay before our eyes. Today, 56 percent of the Nation's minority families live in central cities, and almost two-thirds of these live in neighborhoods of substandard housing and general decay. For these citizens who must live in the poverty areas of our cities, the goal of a decent home and suitable environment is still only a distant dream.

Because of this contrast, the problems of our cities require new solutions and the success of our housing and urban development programs becomes even more imperative.

I believe that H.R. 17989 offers us much hope. It is one of the boldest and most comprehensive bills in the field of housing and urban development ever proposed. I commend the subcommittee—both the majority and the minority—for their painstaking, productive efforts to offer highly enlightened and meaningful housing and urban programs. And I wish to compliment my colleagues on the full committee for their intelligent, careful scrutiny of the legislation and for their many contributions to the ultimate committee bill which we have before us. Its strengthening of existing programs and progressive new approaches sketches a design to build a new America for the poor citizen who has never known homeownership.

The basic ills of our central cities, large ghettos occupied by the disadvantaged minorities, must be cured. A big step in this direction is included in the provisions of H.R. 17989.

Especially important are those titles of the act which provide incentives for homeownership among low- and moderate-income families. The interest subsidies for home mortgages and the broadening of eligibility for FHA insurance plans will have effects which reach far beyond the provision of a suitable structure in which to live. Along with homeownership goes a real concern for the well-being of a community, and for the maintaining or upgrading of property values. Homeownership also leads to more stable residence patterns, combating the serious problem of student turnover having such a profound effect on urban school systems today. In all, homeownership, as encouraged by the act, offers a true stake in American society to those segments of the population for whom such a stake may not have been possible.

Another innovative section of the act worthy of special note is the jobs-in-housing program, which requires that the human resources of the local community be utilized in construction and rehabilitation of housing projects to the greatest extent feasible. This program directly attacks the problem of urban unemployment, and will involve the community itself in local improvement in a penetrating and meaningful way.

Also important is the urban reinsurance guarantee included in title X, as recommended by the President's National Advisory Panel on Insurance in Riot-Affected Areas earlier this year. This program, which in all probability will never cost the Government a cent, encourages private insurance companies to make insurance available to property owners in ghetto areas without any fear of disastrous consequences. Only by assuring that such insurance is available can we hope to attract business development to the ghetto and break the cycle of ghetto unemployment and low productivity.

An extremely important provision of the bill for turning the blighted ghettos into a decent place to live is the neighborhood development program. The bill would authorize an alternative form of urban renewal under which a community could elect to carry a project on the basis of annual budgeting over the period required for completion, in place of the current lump-sum commitment for the entire project. By freeing the flow of urban renewal funds, this should facilitate more rapid urban renewal development on an effective scale. Under present law the execution of a loan and grant contract often requires a detailed urban renewal plan which in some cases might cover 4 or 5 years' work. Under this new formula, detailed plans could simply be limited to the year ahead, thus allowing more flexibility for future work.

Serving as an aid to housing sponsors, the bill would authorize interest-free loans to cover preconstruction expenses of nonprofit housing sponsors. It would also establish a National Home Ownership Foundation to encourage private and public organizations at the national and local level to provide increased homeownership for lower income families. The foundation would be a central source of assistance designed to meet the needs of private local organizations engaged in developing housing programs for the poor.

Thus, the bill contains new ideas which can lead to a greater and far more effective involvement of the private sector in the solution of our country's housing and urban problems.

Today our domestic programs must be given top priority. The poor and the disadvantaged must be brought into the Nation's mainstream of abundance. Homeownership and decent environments would immeasurably brighten the lives of our ghetto dwellers. Consequently an increased standard of living and greater opportunities for homeownership, as outlined in H.R. 17989, will awaken the dormant values of individual and

family pride, ownership, and civic responsibility.

I repeat, Mr. Chairman, this is the most bold and comprehensive legislation in the field of housing and urban development ever offered in the Congress. Naturally, there are some further provisions I would like to see included in the bill and there are some improvements I feel can be made.

I, for one, anticipate offering an amendment to clarify an inconsistency in the act which under present phrasing could prevent rehabilitation loans and grants from being given in those areas where they are most needed. I trust that this House in its wisdom will overwhelmingly approve this much needed and long overdue legislation.

Mr. PATMAN. Mr. Chairman, I yield 10 minutes to the distinguished gentleman from Ohio [Mr. ASHLEY].

(Mr. ASHLEY asked and was given permission to revise and extend his remarks.)

Mr. ASHLEY. Mr. Chairman, the question is not whether or not the Nation is going to undergo enormous urban growth in the immediate years and decades ahead, but rather how well we are going to prepare for growth trends which are unmistakably clear.

The bill before us enlists the creativity and energy of government, both Federal and local, and of the private sector of our economy in this effort. It is a far-reaching, imaginative, and compassionate bill and one which I am confident this House will support.

On a measure of this scope and substance, it is not surprising that there are areas of conflicting opinion. What is surprising, in my view, is that so many of the components of the bill before us have commanded so much bipartisan agreement.

A reading of the minority views contained in the report on H.R. 1798, signed by nine of the 14 minority Members, reveals that they agree that there must be "a major attack on the problems of the poor in the field of housing" and that they "endorse the attempt to establish means of extending home ownership to the Nation's poor."

They also endorse the setting up of a National Homeownership Foundation which, of course, was originally sponsored by the distinguished ranking member of our committee [Mr. WIDNALL] and 108 House Members.

They approve new plans for an alternative form of urban renewal, the neighborhood development program, and they "applaud the emphasis in mass transit and particularly the means taken to implement the raising of the non-Federal share."

They also approve of the return of FNMA to private control and the establishment of a new Government National Mortgage Association.

They regard new urban riot and flood insurance programs as "matters of urgent priority" and they state their belief that mortgage insurance for nonprofit hospitals is most worthwhile.

The minority views also express agreement that expansion of the water and sewer program is long overdue.

What the minority appears to complain about is the idea that the Congress act now to meet the backlog of housing and related problems that now face us and which are certain to become greater in the days ahead. Their advice is to pursue this goal "whenever possible wihin reason" and to ignore both the Kerner Commission recommendation that six million units of housing be produced in 5 years and the administration proposal that the six million units be constructed in the next 10 years.

I cannot agree that the administration target is unrealistic or beyond the reach of our economic resources, taking into account the expected growth of the national economy.

If our gross national product grows as expected from $785 billion in 1967 to an estimated $1,445 billion in 1978, residential construction expenditures would account for less than 4 percent of GNP in the early years of the target decade and would range between 4½ percent and 5 percent of GNP in the latter part of the decade. Labor resources will be available as the labor force grows; materials production does not pose a problem in our highly industrialized society; there is ample land available; and additional savings will be generated by economic growth to provide the necessary financial capital.

The real hang-up in the bill before us, Mr. Chairman, relates to the new section 235 and 236 programs which seek to assist moderate income families—those who earn too much to qualify for public housing and too little to obtain decent shelter on the private market—to buy or rent homes by permitting a subsidy equivalent to a reduction of the interest rate to 1 percent.

I can only say that this is a new and promising approach to a problem which neither public housing nor rent supplements nor the below-market 221(d)(3) program have been able to meet effectively.

I am sympathetic to the proposition that our efforts and resources should be directed primarily to the very poor in our society, but I find this no reason to be unresponsive to the varying needs for assistance of additional millions of American families whose incomes simply are not sufficient to provide decent shelter.

In response to those who protest that these programs would allow assistance to 7 out of every 10 American families, let me simply point out, first, that the aggregate amount of contracts to make payments could not exceed amounts approved in appropriation acts; that is, $75 million per year prior to July 1, 1969, $100 million following that date and $125 million on July 1, 1970, and, second, that preference would be required to be given to displaced families, families which include five or more children, or families occupying low-rent public housing.

My principal disappointment in the bill before us, Mr. Chairman, is that it does not provide for the limited Federal aid to developers of new communities written into the housing bill adopted by the other body. This proposal would authorize the Federal guarantee of bonds, debentures, notes, or other obligations issued by new community development projects which are so badly needed to relieve the growing densities within our core cities.

Certainly we must direct a massive effort to the rehabilitation of existing urban centers, but, if we are to avoid compounding these very problems in our suburbs and rural communities, we must encourage the kind of preventive planning and action adopted in the housing bill passed by the other body.

In closing, Mr. Chairman, let me make it clear that the bill before us carries with it no blank check and opens no Pandora's box. It authorizes the continued life of existing programs which we need to meet our housing needs and it provides new tools to help with this ongoing task.

Mr. PATMAN. Mr. Chairman, I yield 10 minutes to the distinguished gentleman from Pennsylvania [Mr. MOORHEAD].

(Mr. MOORHEAD asked and was given permission to revise and extend his remarks.)

Mr. MOORHEAD. Mr. Chairman, I rise in support of title X the Urban Property Protection and Reinsurance Act of 1968.

Today the cities of this Nation—indeed the cities of all the world—are facing a crisis the proportions of which we are only beginning to see.

Mr. Chairman, the enactment of this bill or any title of it will not solve the urban crisis.

But, Mr. Chairman, the failure to enact title X of this bill will insure the doom of our cities.

Insurance cannot rebuild our cities but the lack of basic property insurance will insure that nobody will rebuild our cities.

For the past few years it has become increasingly difficult for homeowners and businessmen in center city areas to obtain and retain basic insurance protection.

In the rundown, blighted slum areas of some cities, private insurance companies have determined, in many instances, that it is not economically feasible to provide insurance protection. This determination has led to the practice of "red lining" entire neighborhoods, which results in an almost automatic denial of insurance for reasons of location alone, regardless of the condition of the property. Without insurance coverage against the perils of fire and crime, banks and other lenders cannot and will not extend credit for the purchase and improvement of real property or for the financing of business inventories. Thus, without insurance, property deteriorates and business, particularly small business, stagnates within the affected area. This, in turn, affects adjoining areas. The result of all of this is that the deterioration and stagnation within the area tends to accelerate and the area of blight tends to expand.

Recent civil disorders in many urban areas have aggravated even further the property insurance problem. Property insurance companies generally purchase reinsurance against abnormally high

losses from various perils. The unusually large losses on riot and civil commotion coverage recently paid by the property insurance industry have raised the serious question of whether the same reinsurance arrangements will continue to be available. Without this reinsurance, underwriters say that they cannot continue to provide riot and civil commotion protection in the various lines of property insurance, and may seek to cancel policies currently in force or refuse to renew them when they expire.

A story in today's Wall Street Journal tells of a British insurance company that has ordered large scale cancellations of property and business insurance in U.S. cities. Faced with an insurance crisis we in the Congress of the United States can react in one of three ways.

First. We can do nothing and I suppose that some of those who oppose title X would favor doing nothing. But, Mr. Chairman, failure to act will condemn our cities and ultimately our civilization to economic stagnation and deterioration;

Second. We could go to the opposite extreme of doing nothing and put the Federal Government into the regulation and operation of the insurance industry; and

Third. We could take those moderate steps which do not violate the traditional State regulatory authority over the insurance industry but which do supply the minimal Federal ingredient essential to insure that the industry and the States will do the job which needs to be done. Title X provides that minimal Federal ingredient.

Title X provides a carrot and stick approach to the problem.

It says to the States "If you will set up plans which will guarantee everyone in your State a chance to get basic property insurance we—the Federal Government—will offer to sell riot reinsurance to those insurance companies which participate in these plans."

Today, theoretically, the States could outlaw "redlining" and require the companies to offer insurance in the uneconomic slum areas. Practically they cannot or will not because the companies point out that the potential that a riot could bankrupt them.

Mr. GROSS. Mr. Chairman, will the gentleman yield?

Mr. MOORHEAD. I yield to the gentleman from Iowa.

Mr. GROSS. Mr. Chairman, does the gentleman not believe that law enforcement would have a very beneficial effect upon these losses that occur in the areas of which he speaks? Is there any provision in this bill to compel some reasonable law enforcement in some of these areas?

Mr. MOORHEAD. Not to compel it, but the fact that the Federal Government might have to come up with money if law enforcement were not carried out would be a strong inducement for there to be the strongest kind of law enforcement. So that the effect of the enactment of title X would be to encourage law enforcement.

Mr. GROSS. Of course, we had a pretty good example of what can happen right here in the city of Washington, much less any other area of the country when the laws were not properly enforced last April, when tremendous losses were suffered on the part of businessmen. Now, the gentleman says that the Federal Government is going to rush to their rescue.

Mr. MOORHEAD. I say the fact that the Federal Government gets to participate in this would be an inducement to calling out the Guard sooner than was done in this case.

Mr. BROWN of Michigan. Mr. Chairman, will the gentleman yield?

Mr. MOORHEAD. I yield to the gentleman from Michigan.

Mr. BROWN of Michigan. I thank the gentleman for yielding.

Does not the gentleman also say that the States will participate in this program so that there is further inducement to the States to make sure that enforcement of the law is maintained?

Mr. MOORHEAD. Yes. The thrust of this is to get the law enforcement agencies of the State government and the Federal Government to have a——

Mr. GROSS. If the gentleman will yield further, is this what the gentleman is saying, with the additional assurances of the gentleman from Michigan, that you have to spend Federal money, or offer Federal money, in order to get law enforcement in this country?

Mr. MOORHEAD. No. If the gentleman will bear with me, I am going to try to show how we have drafted this so that it makes the Federal participation a very remote contingency, so that the first burden of loss must be on the insurance industry, next on the States, and next on an insurance fund, and only very little—and in most unforeseen and unforeseeable situations would the Federal Government enter into it.

I hope the gentleman will bear with me until I complete my statement, and I will try to explain how we will do this. I know the gentleman and I share the idea that we do not want to have the taxpayers' money involved.

Mr. GROSS. But, first off, if the gentleman wants me to vote for this amendment, or whatever it is, I would suggest that he be awfully sure to tell me how remote this Federal money is.

Mr. MOORHEAD. I intend to do this by charts.

I believe perhaps the best way to explain this to the gentleman would be if I should take a typical or a hypothetical riot situation in a given State, and explain how the various layers of loss are inserted before the Federal taxpayers' money is involved.

We have two examples here, and I am not taking an easy one—I am taking the hardest one.

I say to the gentleman from Iowa that here is an example of a riot loss roughly in the Newark category—$10 million. Under the legislation and under the program the first bite in the loss would come from the insurers' retention of losses.

Title X, by providing Federal riot reinsurance would remove that reason or excuse for failure to act.

Representatives of the insurance industry have assured the Banking and Currency Committee that with the enactment of title X the industry will work to ensure that every insurable property will be eligible for insurance.

Title X, therefore, will solve the urban insurance crisis and will do so at the cost of creating a contingent liability of the Federal Government which should mean no cost to the American taxpayers.

The first part of this program would require every insurance company reinsured by the Federal Government to cooperate with the State insurance authority in each State where it acquires reinsurance to establish and carry out statewide plans to assure fair access to insurance requirements, called "FAIR" plans.

The objective of these plans is to improve the market for the availability of essential property insurance—fire and extended coverage, vandalism and malicious mischief, and burglary and theft—for homeowners and businessmen who have had difficulties in buying much needed insurance. The plans should end the practice of denying insurance to property owners by reason of location alone—known in the industry as "red lining."

The purpose of the second part of the program is to give some inducement to encourage the insurance companies to participate in the FAIR plans.

The second part of the two-part program in title X is Federal reinsurance. The availability of this reinsurance should provide sufficient incentive for participation by the companies. The legislation would authorize the Secretary to sell reinsurance to an insurance company or a pool of insurance companies participating in the FAIR plans in a State. Reinsurance would be sold only for property losses resulting from riots or civil disorders. Reinsurance would be sold first only on a package of lines of insurance including fire and extended coverage, vandalism and malicious mischief, other allied lines of fire insurance, burglary and theft, and those portions of multiple peril policies covering perils similar to them. Companies acquiring reinsurance on these lines would then be eligible to purchase reinsurance against riot losses on any other standard line of property insurance such as inland marine, boiler and machinery, and aircraft physical damage.

The insurance companies, of course, would pay a premium to the Secretary of Housing and Urban Development for riot reinsurance. During the first year, premiums would be set at a level aimed at bringing in $75 million, which would have covered insured riot losses in 1967. The companies would also be expected to absorb at least 10 percent of insured riot losses before the reinsurance took effect. The legislation also provides for each State to assume a share of the reinsured losses in its jurisdiction if the State is participating in the reinsurance program. The maximum liability of a State for riot losses in a year would be 5 percent of the premiums earned by all companies doing business in that State from those lines of insurance reinsured by the Secretary.

The legislation would give the States sufficient time for their legislative bodies to authorize the States to pay their share of the riot losses but would also allow the Secretary to cancel reinsurance in those States that do not act within the prescribed time.

After the companies and States pay their shares, the share of losses would be paid out of, next, a national insurance development fund. Insurance premiums from all States and the reimbursements from the separate States would be deposited in this fund. Reinsurance claims as well as administrative expenses would be paid from this fund. If riot losses do not exceed $200 million it is estimated that they can be covered by company retentions, premium income, and State shares. If they are excessive in any year, the Secretary has authority to borrow up to $150 million from the Secretary of the Treasury. Authority to borrow more than this amount would require action by the Congress.

It might be helpful to the Members of this body if I were to give one or two hypothetical examples of how Federal-State-industry sharing in riot-loss reinsurance would operate.

Let us suppose that the total annual preiums earned on reinsured lines by insurance companies operating in State X are $100 million a year. Let us further suppose that, in the first year of the urban property protection and reinsurance program, insured riot losses in State X amounted to, say, $45 million. The insurance companies would share in the losses two ways.

First, by the premiums they would have paid to the national insurance development fund. Let us say this amounts to 2 percent of the $100 million premiums they earned, or $2 million. The companies would also bear a share of the $45 million in insured riot losses. This could be about $7.2 million, if the retention formula for losses to be borne by the companies were, say, 3 percent of the same $100 million in premiums earned, or $3 million, plus an additional 10 percent of the balance of insured riot losses, or $4.2 million—10 percent of $42 million.

The balance of insured riot losses after premiums and retentions by the insurance companies then is $35.8 million—$45 million less $9.2 million.

In this hypothetical example, this balance is shared between State X and the Federal Government. The State comes in for a full share because this balance is greater than the 5 percent of the same $100 million in premiums, the State's maximum. This $5 million is paid by State X to reimburse the reinsurance fund.

There now remains $30.8 million in insured riot losses to be covered by the national insurance development fund. Premiums from 16 other States with the same amount of reinsured business as is written in State X could cover these.

I would like to give another example to show a situation where only the industry and the State shares in insured riot losses, and the national insurance development fund does not share. Let us suppose insured riot losses in the first year of the program in State X amount to $10 million. The industry's first share is the same $2 million in premiums. Retentions of insured losses now amount to $3.7 million: the same 3 percent of $100 million or $3 million plus 10 percent of $10 million less $3 million, or $700,000. Together the industry's share is $5.7 million. There remains to be paid $4.3 million from the $10 million in insured riot losses. Since this amount is less than the $5 million maximum which State X is liable for, the State's share is $4.3 million and there is no Federal sharing in insured riot losses.

Mr. Chairman, under permission I will seek in the House, I will include in the RECORD, at the end of my remarks six charts which show hypothetical riot losses of various sizes which might occur in a particular State during various years of the program.

We have now looked at how title X would operate in a particular State in the first year of operation. Let us now look at the picture nationwide.

This chart shows the national picture based on the assumption that 30 of the 50 States, with average annual premiums of $100 million each on which 2-percent reinsurance premiums are paid, are participating. This chart shows the various layers which must be swallowed up before any taxpayers' dollars would be involved. It also shows how large the losses must be before the funds authorized by this legislation would be exhausted.

If there were riots in one-third of the participating States losses would have to exceed $160 million before any taxpayers' dollars were involved, and would have to exceed $310 million before the total authorization would be exhausted. One hundred and sixty million dollars is more than twice the total losses of the year 1967 and $310 million is more than four times the losses of 1967.

If riot losses amount to this much the Federal Government will be involved financially whether or not we have enacted this title. We in Congress will be called upon for funds to feed, clothe, and shelter the innocent victims of rioting. The only difference is that without this program the Federal Government will be called upon to cover 100 percent of the loss rather than having the opportunity to share this burden on a preplanned, rational basis with the insurance industry and the various States as this program envisages.

Mr. Chairman, I know that the specter of catastrophic riot losses has been held up as a reason for opposing this program. If there were rioting on a broad scale across the Nation, total losses, as this chart shows, would have to exceed $340 million before any taxpayers' dollars would be involved and almost $500 million before the amount authorized by this bill would be exhausted.

Mr. Chairman, if rioting should ever reach this catastrophic level the Federal Government would be financially involved whether or not we enact this title because before this point is reached the United States would be faced with full-scale rebellion and insurrection which would make the issue of property insurance very unimportant by comparison.

Mr. Chairman, this is a carefully worked out program to permit the rebuilding of our cities by making available to homeowners and businessmen the property insurance that is an essential ingredient for such rebuilding.

It is a program designed to achieve this objective without involving the taxpayers' dollars. There are several layers of funds in the reinsurance program, and all of these must be exhausted before there is any taxpayer contribution.

Mr. Chairman, this is a piece of legislation of which all Members of this body can be proud. It originated in the House of Representatives last December. It was modified by the administration after the President's Panel published its report in January, and it was again modified by your Committee on Banking and Currency.

It is a 5-year program, and I am enough of an optimist to believe that in this 5-year period we can root out the causes of the violence that makes it necessary, and that the insurance industry will be able to fill on its own the void that has opened.

But at this time, the programs this title would authorize are essential if we are to give the residents of our inner cities the insurance protection and security in property that most of us take for granted and prevent a credit crisis in the areas of our cities where credit is most badly needed to stem deterioration.

I urge you to support title X of this legislation.

The article and charts referred to follow:

[From the Wall Street Journal, July 8, 1968]

ROYAL-GLOBE FACES QUIZ BY THREE STATES ON VOIDING OF RIOT-AREA POLICIES—KENTUCKY, MICHIGAN, NEW JERSEY REACT TO CANCELLATIONS—INSURER SUSTAINED 5 PERCENT LOSSES IN 1967

At least three states are opening examinations of the Royal-Globe group of insurance companies, following reports the British insurers ordered large-scale cancelations of property and business policies in U.S. cities that have suffered or may be hit by racial violence, the Associated Press said.

The state insurance departments of Michigan and Kentucky announced Friday they would undertake special examinations. In Kentucky, a hearing was ordered for July 17 at which Royal-Globe must show cause why its authority to operate there shouldn't be revoked.

In New Jersey, the state's banking and insurance commissioner, Charles Howell, said he summoned officials of Royal-Globe to a meeting tomorrow to discuss the cancelations and "work something out." Depending "on the cooperation," Mr. Howell added, "we'll have to decide then what the next move will be."

Mr. Howell said that although he "understands" the company's problems, the cancelations were "almost an irresponsible thing for them to be doing in the mass manner they are doing it."

The commissioner last week declared an insurance emergency in New Jersey. Under a new state law, this prohibits companies from canceling policies without 30 days notice to the department.

The British group, which controls Globe Indemnity Co. of New York, sustained sharp losses during the 1967 racial riots. The concern, which writes about 3% of all U.S. property insurance, sustained approximately 5% of the total riot losses, it's estimated.

Officials of Globe Indemnity weren't available for comment over the weekend, but in London, the AP reported, the parent company said it hadn't given specific instructions to refuse to renew a policy because the property is in an area of potential civil dis-

order. It said, however, that all British concerns are asking U.S. agents to review policies when they are due for renewal, and it added that the chance of riot damage would have to be considered in reassessing premiums.

According to the Michigan insurance department, the AP said, Royal-Globe canceled at least 318 property insurance policies in the Detroit area, where it was a heavy loser in last summer's riots. Russell Van Hooser, administrative assistant to Michigan's insurance commissioner, said Royal-Globe notified the state of the cancellations last Tuesday.

Mr. Van Hooser said the department hopes to find out this week exactly how many policies are involved, their values and the reasons for the cancellations. The examination "will determine what further action is called for," he said, adding, "I think there are some legal steps that could be taken, but I wouldn't want to speculate on that until we have all the facts in hand."

The Kentucky insurance department said Royal-Globe officials told the agency the cancelations were part of a nationwide effort to cut down high risks, the AP reported. Although only fire insurance is involved in the Kentucky examinations, all Royal-Globe business in the state would be affected if the group's certificate of authority is revoked.

In St. Louis, a local Royal-Globe agent said the company will cancel a $52.4 million fire insurance policy on five St. Louis public housing authority projects on Aug. 10 unless it can get other insurance companies to assume 80% of the policy.

William W. Fetner, chairman of Lawton Byrne Bruner Insurance Agency Co., which handles the policy for Royal-Globe, also said that company had "instructed us it has canceled all of its property insurance in East St. Louis (Ill.)," a predominantly Negro area. A local insurance expert estimates this coverage in excess of $50 million. Mr. Fetner said his agency had handled 10 Royal-Globe policies in East St. Louis totaling about $1 million.

Of 20 companies he had contacted to get them to pick up as much as 5% apiece of the St. Louis housing authority projects, Mr. Fetner said, "four or five have so far said they will do so and an equal number have declined."

Irvin Dagen, executive director of the St. Louis housing authority, called the threatened cancelation "shameful." "Insurance companies," he said, "are the only companies that can play around like this. The circumstances haven't changed from a year ago when Royal-Globe bid on the contract. They should have been aware of conditions then."

HOW INDUSTRY-STATE-FEDERAL SHARING IN RIOT-LOSS REINSURANCE WORKS

[In millions of dollars]

	If annual premiums earned on reinsured lines in State X are $100,000,000 and if total insured riot losses in State X during the 1st year of the NID program are—	
Total insured riot losses	45.0	10.0
Insurers' retention of losses [1]	−7.2	−3.7
Balance after retentions	37.8	6.3
Insurers' reinsurance premiums for 1st year [1]	−2.0	−2.0
Balance of losses to be shared by State-Federal Governments	35.8	4.3
State share of losses	[2] −5.0	[3] −4.3
Program share of losses	[4] 30.8	0

[1] The rates in the formulas for insurers' retentions of loss and reinsurance premiums paid are illustrative only.

[2] State sharing is at the maximum of $5,000,000 because the balance of insured riot losses after insurers' retentions of loss and reinsurance premiums paid is greater than $5,000,000.

[3] State sharing is equal to the balance of insured riot losses after insurers' retentions of loss and reinsurance premiums paid because this balance is less than the maximum of $5,000,000.

[4] Program share of losses in State X would be covered by reinsurance premiums paid by insurers operating in other States. Only when such premiums are exhausted would there be a need for Treasury borrowing.

HOW INDUSTRY-STATE-FEDERAL SHARING IN RIOT-LOSS REINSURANCE WORKS

[In millions of dollars]

	If annual premiums earned on reinsured lines in State X are $100,000,000, and if total insured riot losses in State X during the 1st year of the NID program are—			
Total insured riot losses	45.0	15.0	10.0	5.0
Insurers' retention of losses [1]	−7.2	−4.2	−3.7	−3.2
Balance after retentions	37.8	10.8	6.3	1.8
Insurers' reinsurance premiums for 1st year [1]	−2.0	−2.0	−2.0	−2.0
Balance of losses to be shared by State-Federal Governments	35.8	8.8	4.3	−.2
State share of losses	[2] −5.0	[2] −5.0	[3] −4.3	[4] −0
Program share of losses	[5] 30.8	[5] 3.8	0	0

[1] The rates in the formulas for insurers' retentions of loss and reinsurance premiums paid are illustrative only.

[2] State sharing is at the maximum of $5,000,000 because the balance of insured riot losses after insurers' retentions of loss and reinsurance premiums paid is greater than $5,000,000.

[3] State sharing is equal to the balance of insured riot losses after insurers' retentions of loss and reinsurance premiums paid because this balance is less than the maximum of $5,000,000.

[4] State sharing is zero because insurers' retention of loss and reinsurance premiums paid are greater than insured riot losses.

[5] Program share of losses in State X would be covered by reinsurance premiums paid by insurers operating in other States. Only when such premiums are exhausted would there be a need for Treasury borrowing.

HOW INDUSTRY-STATE-FEDERAL SHARING IN RIOT-LOSS REINSURANCE WORKS

[In millions of dollars]

	If annual premiums earned on reinsured lines in State X are $100,000,000, and if total insured riot losses in State X during the 2d year of the NID program are—			
Total insured riot losses	45.0	15.0	10.0	5.0
Insurers' retention of losses [1]	−7.2	−4.2	−3.7	−3.2
Balance after retentions	37.8	10.8	6.3	1.8
Insurers' reinsurance premiums for 1st 2 years [1]	−4.0	−4.0	−4.0	−4.0
Balance of losses to be shared by State-Federal Governments	33.8	6.8	2.3	−2.2
State share of losses	[2] −5.0	[2] −5.0	[3] −2.3	[4] −0
Program share of losses	[5] 28.8	[5] 1.8	0	0

[1] The rates in the formulas for insurers' retentions of loss and reinsurance premiums paid are illustrative only.

[2] State sharing is at the maximum of $5,000,000 because the balance of insured riot losses after insurers' retentions of loss and reinsurance premiums paid is greater than $5,000,000.

[3] State sharing is equal to the balance of insured riot losses after insurers' retentions of loss and reinsurance premiums paid because this balance is less than the maximum of $5,000,000.

[4] State sharing is zero because insurers' retention of loss and reinsurance premiums paid are greater than insured riot losses.

[5] Program share of losses in State X would be covered by reinsurance premiums paid by insurers operating in other States. Only when such premiums are exhausted would there be a need for Treasury borrowing.

HOW INDUSTRY-STATE-FEDERAL SHARING IN RIOT LOSS REINSURANCE WORKS

[In millions of dollars]

	If annual premiums earned on reinsured lines in State X are $100,000,000, and if total insured riot losses in State X during the 3d year of the NID program are—			
Total insured riot losses	45.0	15.0	10.0	5.0
Insurers' retention of losses [1]	−7.2	−4.2	−3.7	−3.2
Balance after retentions	37.8	10.8	6.3	1.8
Insurers' reinsurance premiums for 1st 3 years [1]	−6.0	−6.0	−6.0	−6.0
Balance of losses to be shared by State-Federal Governments	31.8	4.8	.3	−4.2
State share of losses	[2] −5.0	[3] −4.8	[3] −.3	[4] −0
Program share of losses	[5] 26.8	0	0	0

[1] The rates in the formulas for insurers' retentions of loss and reinsurance premiums paid are illustrative only.

[2] State sharing is at the maximum of $5,000,000 because the balance of insured riot losses after insurers' retentions of loss and reinsurance premiums paid is greater than $5,000,000.

[3] State sharing is equal to the balance of insured riot losses after insurers' retentions of loss and reinsurance premiums paid because this balance is less than the maximum of $5,000,000.

[4] State sharing is zero because insurers' retention of loss and reinsurance premiums paid are greater than insured riot losses.

[5] Program share of losses in State X would be covered by reinsurance premiums paid by insurers operating in other States. Only when such premiums are exhausted would there be a need for Treasury borrowing.

HOW INDUSTRY-STATE-FEDERAL SHARING IN RIOT-LOSS REINSURANCE WORKS

[In millions of dollars]

	If annual premiums earned on reinsured lines in State X are $100,000,000, and if total insured riot losses in State X during the 4th year of the NID program are—			
Total insured riot losses	45.0	15.0	10.0	5.0
Insurers' retention of losses [1]	−7.2	−4.2	−3.7	−3.2
Balance after retentions	37.8	10.8	6.3	1.8
Insurers' reinsurance premiums for 1st 4 years [1]	−8.0	−8.0	−8.0	−8.0
Balance of losses to be shared by State-Federal Governments	29.8	2.8	−1.7	−6.2
State share of losses	[2] −5.0	[3] −2.8	[4]	[4]
Program share of losses	[5] 24.8	0	0	0

[1] The rates in the formulas for insurers' retentions of loss and reinsurance premiums paid are illustrative only.

[2] State sharing is at the maximum of $5,000,000 because the balance of insured riot losses after insurers' retentions of loss and reinsurance premiums paid is greater than $5,000,000.

[3] State sharing is equal to the balance of insured riot losses after insurers' retentions of loss and reinsurance premiums paid because this balance is less than the maximum of $5,000,000.

[4] State sharing is zero because insurers' retention of loss and reinsurance premiums paid are greater than insured riot losses.

[5] Program share of losses in State X would be covered by reinsurance premiums paid by insurers operating in other States. Only when such premiums are exhausted would there be a need for Treasury borrowing.

HOW INDUSTRY-STATE-FEDERAL SHARING IN RIOT-LOSS REINSURANCE WORKS

[In millions of dollars]

	If annual premiums earned on reinsured lines in State X are $100,000,000 and if total insured riot losses in State X during the 5th year of the NID Program are—			
Total insured riot losses	45.0	15.0	10.0	5.0
Insurers' retention of loses [1]	−7.2	−4.2	−3.7	−3.2
Balance after retentions	37.8	10.8	6.3	1.8

Footnotes at end of table.

HOW INDUSTRY-STATE-FEDERAL SHARING IN RIOT-LOSS REINSURANCE WORKS—Continued

[In millions of dollars]

	If annual premiums earned on reinsured lines in State X are $100,000,000 and if total insured riot losses in State X during the 5th year of the NID Program are—			
Insurers' reinsurance premiums for 1st 5 years [1]	−10.0	−10.0	−10.0	−10.0
Balance of losses to be shared by State-Federal Governments	27.8	0.8	−3.7	−8.2
State share of losses	[2] −5.0	[3] −0.8	[4] 0	[4] 0
Program share of losses	[5] 22.8	0	0	0

[1] The rates in the formulas for insurers' retentions of loss and reinsurance premiums paid are illustrative only.
[2] State sharing is at the maximum of $5,000,000 because the balance of insured riot losses after insurers' retentions of loss and reinsurance premiums paid is greater than $5,000,000.
[3] State sharing is equal to the balance of insured riot losses after insurers' retentions of loss and reinsurance premiums paid because this balance is less than the maximum of $5,000,000.
[4] State sharing is zero because insurers' retention of loss and reinsurance premiums paid are greater than insured riot losses.
[5] Program share of losses in State X would be covered by reinsurance premiums paid by insurers operating in other States. Only when such premiums are exhausted would there be a need for Treasury borrowing.

Mr. PATMAN. Mr. Chairman, I yield 2 minutes to the gentleman from New York [Mr. RYAN].

(Mr. RYAN asked and was given permission to revise and extend his remarks.)

Mr. RYAN. Mr. Chairman, I rise in strong support of this legislation, H.R. 17989. Almost 20 years have passed since Congress established, in the Housing Act of 1949, the goal of a decent, safe, and sanitary home for every American. We seem no closer to that goal today than we were then. The backlog of dilapidated housing has grown; in 1960, at the time of the last housing census it was estimated to be 15.5 million units; the housing shortage has not decreased. Especially in our large urban centers the scarcity of moderatey priced, attractive housing is very great indeed.

Too many of our traditional housing programs, although enlightened in intent, have been reactionatry in effect. Urban renewal too often has served as a boon to the real estate developers and a bane to the low-income communities it destroys and fails to replace. Too often public housing has been unimaginative and sterile.

In recent years the Congress has enacted new, creative housing legislation. The Housing Acts of 1961 and 1965 provided new now- and moderate-income programs. The rent supplement program offered a new approach to low-income housing. The model cities program enacted in 1966 provided the basis for the comprehensive regeneration of entire neighborhoods. Yet these programs are today starved for funds. In order to fulfill the pledge of 1949 it is necessary both to fully fund these important programs and to round them out by adopting the Housing and Urban Development Act of 1968, which is before us today. This is indeed landmark legislation which will complement the major housing legislative achievements which have already been enacted, and will stand in history along with the Housing Act of 1937 and the Housing Act of 1949.

I should like to commend the chairman of the subcommittee, the gentleman from Pennsylvania [Mr. BARRETT], and the chairman of the full committee, the gentleman from Texas [Mr. PATMAN], and all members of the committee for having brought this legislation before us.

The heart of H.R. 17989 is in the two new programs authorized in new sections 235 and 236—sections 101 and 201 of H.R. 17989—will provide for interest reduction payments to be made with regard to private mortgages for moderate income individually owned, rental, and cooperative housing. The payments would reduce the effective mortgage interest rate to 1 percent. Beneficiaries of the programs would be required to pay the unsudsidized cost, or 20 percent of their income, whichever is less.

H.R. 17989 also increases the authorizations for model cities, urban renewal, public housig, rent supplements, mass transit, and several other existing programs.

In addition, it makes several policy changes, especially with regard to urban renewal, which are highly beneficial. It requires that at least 50 percent of housing units to be built in a residential urban renewal area be low or moderate income housing. Throughout my service in Congress I have introduced legislation to prohibit subsidized luxury housing under title I—H.R. 1224; however, the 50 percent requirement is a recognition of the need to reorient urban renewal toward low- and moderate-income families and a step in the right direction.

Another modification of the urban renewal program establishes a "neighborhood development program" which would afford a more rapid and efficient implementation of programs. The slow pace of urban renewal has been a failure of the existing program.

Also encouraging are the provisions which facilitate the use of rehabilitation in urban renewal areas. Section 311 provides mortgage insurance for housing in urban renewal areas rehabilitated by local public agencies. Section 403 increases the maximum rehabilitation grant from the present $1,500 to $3,000. And section 404 removes the current 5 percent ceiling on the use of urban renewal funds for rehabilitated housing.

As the sponsor of H.R. 14034, the Cooperative Rehabilitation Housing Act, I heartily endorse the various measures in this bill to facilitate the provision of urban homeownership through rehabilitated cooperative housing.

There are other sections of this bill not related to urban renewal, which also facilitate cooperative housing. The bill permits the sale of 221(d)(3) and section 236 rental housing to cooperatives; it also broadens the existing law to permit the sale of any suitable public housing unit to the tenants. For years I have made a similar proposal—H.R. 14561.

Section 303 also promotes the condominium form of ownership by authorizing FHA insurance for the purchase of individual units in a condominium of 11 units or less, regardless of whether the condominium was originally FHA insured. I have proposed a similar program in H.R. 1220 and H.R. 1223. Unfortunately, under the pending bill the size of the condominium is limited to 11 units, and no similar FHA insurance is made available for the acquisition of a cooperative apartment.

Another important provision to promote cooperative low-income housing is section 313 which would authorize FHA mortgage insurance for supplementary loans for cooperative housing where the housing was acquired from the Federal Government, such as the Parkchester cooperative in the District of Columbia, which was formed through the purchase from the Federal Government by the tenants of a section 608 wartime project on which the previous owner had defaulted.

These are welcome additions, which will do much to encourage the formation of low-income cooperatives and condominiums, which I believe hold out the best hope for the elimination of absentee landlordism and the opportunity for homeownership for the low-income city dweller.

It is highly pleasing that the Committee on Banking and Currency accepted my amendment which will make State and municipally financed housing such as as New York's Mitchell-Lama housing eligible for assistance under the new section 236 interest-subsidy program.

A similar amendment incorporating a proposal which I advanced as H.R. 1234 would make Mitchell-Lama type housing eligible for rent supplement tenants. This was also accepted in committee.

These amendments would be of benefit to Connecticut, Illinois, Massachusetts, Michigan, New Jersey, New York, and Pennsylvania which have direct-loan programs.

The New York State and City Mitchell-Lama programs have been stalemated because of the increasing spiral of site, construction, and interest costs. It has reached a point where recent Mitchell-Lamas can no longer truthfully be considered "moderate income." Recently, the New York City Board of Estimate approved a Mitchell-Lama project that will rent for $48 per room per month. Without some sort of subsidy, the program will continue to be priced out of the reach of low- and moderate-income New Yorkers.

My amendment will make it possible for new Mitchell-Lama housing to get 1-percent financing. The rates are now in the area of 5 percent. An interest-rate reduction to 1 percent will reduce rentals to about $30 per month. It should promote increased construction of Mitchell-Lama housing at lower rentals. I regret that existing Mitchell-Lama housing is not included in the interest subsidy amendment. Nevertheless, the interest subsidy amendment will be of great benefit to Mitchell-Lama projects which are not yet completed.

One such project of great interest is the East River urban renewal project, which has been sponsored by Local 1199 of the Drug and Hospital Workers Union. This union is fully interracial and has deep roots in Harlem. The developer-builder is the Douglass Development Corp., named after the great

leader who rose from slavery, Frederick Douglass.

Many members of Local 1199 earn in the area of $100 per week. Today an unsubidized Mitchell-Lama project would require rentals of at least $40 per room per month and would thus be priced out of the reach of most members of the union. But the new section 236 program will make it possible for prospective tenants to afford this decent housing.

Section 3 of H.R. 17989, the "jobs in housing" provision, will be of enormous benefit to low and moderate income urban residents. With respect to new sections 235 and 236, public housing, 221(d)(3) and rent supplements programs it provides:

> The Secretary of Housing and Urban Development shall require that, to the greatest extent feasible, opportunities for employment arising in connection with the construction or rehabilitation of projects assisted under such programs be given to lower income persons residing in the area of such projects.

A similar requirement is already in force with respect to model cities programs.

This requirement at the annual level of new construction in H.R. 17989—600,000 units per year for 10 years—will generate some 500,000 new construction jobs for low-income persons, according to a study by the Department of Housing and Urban Development.

The credit for the "jobs-in-housing" proposal belongs to the National Committee for a Confrontation With Congress and its leaders, James Haughton, and Timothy Cooney. They generated a genuine grassroots lobby, which spent many hours with Members of Congress to promote the idea. As a cosponsor of H.R. 16266, the original "jobs-in-housing" bill, I can attest to their diligence.

Title X provides for urban property protection and reinsurance against fire, crime and civil disorders. One of the greatest factors contributing to the further decay of high crime neighborhoods is the general unavilability of insurance at reasonable rates. Following the civil disorders of last summer, I introduced H.R. 11896, to compensate insurers for losses due to major civil disorders. At that time, I spoke of the general need for reasonably priced insurance against all types of losess, and not solely losses due to riots. While I support title X, I regret that Federal liability has been limited to $150 million. The Senate figure of $600 million is much more realistic, and ideally, there should be no fixed ceiling.

Let me also note title VIII, national housing partnerships. This program will bring together the necessary capital with the necessary technical expertise to assemble the low- and moderate-income housing projects which can take advantage of these various subsidized programs. This will help overcome the red-tape which has plagued too many Federal housing programs. There remains a need, to which the committee has wisely addressed itself, to generally simplify procedures and reduce the complexity which has frightened away many potential sponsors of low- and moderate-income housing projects.

While I am in general support of H.R. 17989, I regret that certain problems in the area of housing and urban development were not dealt with fully.

One excellent program which was eliminated in committee was the new program of guarantees for obligations incurred in the financing of new communities. This has been included in the Senate bill, and I hope it will be retained in conference.

Another proposal which I have proposed for years—H.R. 1232—and which was also proposed in the omnibus bill of Congressmen REUSS, MOOREHEAD, and ASHLEY, would prohibit a landlord who fails to adequately maintain his structure, or who is in violation of local health and safety codes, from benefiting from tax depreciation allowances. This was not included in the bill.

H.R. 17989 also fails to improve relocation procedures, which are presently inadequate with respect to both efficiency and size of relocation payments. I have introduced several bills to deal with this problem—H.R. 1225, H.R. 1226, H.R. 1227, H.R. 16953—the most comprehensive of which is H.R. 16953, the Relocation Assistance Act of 1968. This would establish in the Department of Housing and Urban Development a central Relocation Assistance Bureau, which would supervise relocation requirements and make payments to relocatees with respect to all Federal programs.

As important as sections 235 and 236 are, by subsidizing market interest rates down to 1 percent, they necessitate a subsidy equivalent to six points of interest on the principal. If, instead, as I have proposed in H.R. 1222, a revolving fund based on Treasury borrowings were established, with a rate of between 4 and 5 percent, the cost of subsidy would be substantially less, and subsidy funds would "stretch" much further.

Another proposal of mine, H.R. 16053, would permit a deduction of $200 per minor dependent from the income on which the rental for a rent supplement tenant is based. Although the $200 deduction has been accepted with respect to the sections 235 and 236 mortgage-subsidy programs, I believe it should apply to rent supplements as well.

I also believe the limitations on the funds which can go to any single State with respect to public housing and urban renewal should be repealed. These programs should be directed to the areas where the need is greatest—without artificial geographical limitations. I have introduced H.R. 1228 and H.R. 1233 to accomplish this.

Let me say in conclusion that, while I have cited certain omissions, I strongly support this legislation. It provides a goal of 6 million low- and moderate-income housing units over the next 10 years—10 times the rate of the previous decade. During the next 3 years, it would authorize 375,000 units of low-rent public housing, increased by 50 percent the total number of public housing units which have been constructed in the last 30 years.

It would provide an urban renewal authorization of $1.4 billion for fiscal year 1970, greatly reducing the backlog of applications which is now pending.

It would increase the model cities authorization by $362 million in fiscal year 1969 and $1 billion in fiscal year 1970.

It would increase mass transit authorizations by $190 million, a sum which is minimal when compared with our mass transportation needs.

It is urgent that this legislation not be destroyed with reductions in authorizations or crippling amendments. Having shortchanged the cities for so long, it is necessary to make up for lost time. The 600,000 units of low and moderate income housing per year specified in this bill is the level suggested by the report of the National Advisory Commission on Civil Disorders. To save our cities from continued decay and disorder, we must enact—and fully fund—massive programs to rebuild them and to provide decent, safe, and sanitary housing for all of our citizens, a goal which has languished for 20 years.

In order to set forth in greater detail my views on necessary housing legislation, I include the testimony which I presented on April 3, 1968, before the Subcommittee on Housing of the Committee on Banking and Currency:

STATEMENT OF HON. WILLIAM F. RYAN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK, APRIL 3, 1968

As the year 1949 recedes further into the past, the congressional declaration of the goal of a decent home and suitable living environment for every American family seems almost as remote as it did then.

In that declaration of the Housing Act of 1949, the Congress set forth on the task of eliminating the slums of this country. That act authorized the construction of 810,000 public housing units for low-income families. It established a slum clearance and community development program now known as the urban renewal program.

The proponents of the urban renewal program expressed strong feelings that the people in slum areas should be assured good housing. "Any slum clearance which fails to assure adequate housing for the families who presently live in slums would be merely forcing them into worse conditions. This applies with particular force to families of minority races for whom the problems of relocation are particularly difficult," the Housing subcommittee stated. (H. Rept. 590, p. 16.)

These were the good intentions and fine congressional declarations. But what has happened since 1949?

First, to this day the authorized 810,000 public housing units have not been built. Less than 700,000 units have been built since 1949. What Congress did with its authorizing hand it struck down with its appropriating hand. Even the widely acclaimed Housing and Urban Development Act of 1965 authorized only about 35,000 units a year. As I said to the Housing Subcommittee in 1965, "How will 35,000 units for 4 years make a dent in the need for new housing?"

The National Advisory Commission on Civil Disorders has recommended a level of 600,000 units of low- and moderate-income construction next year and a total of 6 million such units over the next 5 years. The Commission called for more public housing, more funds for rent supplements, and home-ownership, which in urban centers means cooperative or condominium ownership; the Commission also called for a reorientation of urban renewal programs.

Second. Urban renewal has failed to meet the goals of the 1949 act. It has not succeeded in providing adequate housing for those who live in the redevelopment areas. More than 200,000 persons have been displaced from urban renewal sites to make way for new housing and commercial developments. However, most of the new housing is at a cost clearly out of reach of most of the persons displaced.

The noble intentions of the Housing Act of 1949 have not been translated into an effective program of obliterating the slums

In fact, we face an unprecedented housing crisis, a housing crisis that lies at the roots of America's urban malaise. Substandard housing is surely one of the primary components in the picture of the bleak deprivation of our urban poor.

In 1960, the Census Bureau counted about 15.5 million substandard housing units in the United States. Sixty percent of the substandard rental units in 1960 were occupied by families earning less than $3,000. Thirty-four percent of the unsound owner-occupied units had families in them with incomes under $3,000.

Secretary Weaver of the Department of Housing and Urban Development testified before the Housing and Urban Affairs Subcommittee of the Senate Banking and Currency Committee that the demand for additional public housing units has been running at the rate of about 140,000 units per year.

With this indisputable connection of poverty and bad housing, is to certainly possible to make some correlation between the fact of living in poor housing and the social attitudes and behavior of the one-fifth of our citizens who are ill-housed.

First, reputable studies have confirmed that the education of badly housed children is impeded. Often these children are unable to study for lack of space and privacy. Frequently, parents are not there to give guidance. Doctors describe the high rates of illness and death. In New Orleans, a study found that 44 percent of the incidence of tuberculosis in that city was concentrated in slum sections covering only 25 percent of the residential area of the city.

The provision of decent and safe housing is a key requirement in our attack on urban poverty. One-fifth of our Nation is still ill-housed.

Major Federal housing programs administered by FHA have thus far benefited mostly upper-middle-income families. Commendable as is the Federal Government's record in stimulating the housing market by means of Government-insured mortgages, standard FHA insurance is not designed to meet the housing needs of poor families. The average cost of the FHA insured home is around $16,000.

The model cities program, which Congress passed in 1966, is insufficient to meet the critical housing problems of the poor.

The administration has requested appropriations of $500 million for fiscal year 1969 for the model cities program and proposed $1 billion additional for each of the fiscal years 1970 and 1971. As I remarked before the Housing Subcommittee in 1966: "We must think in bolder terms, in terms of larger amounts of Federal expenditures."

And the mayor of New York City told the subcommittee that perhaps $600 million would make a dent in a single neighborhood. With between 60 and 70 cities participating in the first round of the model cities program, New York City can reasonably expect to receive about $50 million a year.

It is estimated that more than 1.5 million persons in New York City live in poverty-stricken households. Furthermore, nearly 290,000 of the city's 3 million housing units are substandard. Since 1949, New York has been allocated only about $368 million in Federal funds for urban renewal, a program for which more than $5 billion has been spent nationwide. Incidentally, New York City has only used about $172 million.

Clearly, $50 million a year for the model cities program in New York City will not result in dramatic improvement in life in our slums.

During my service in Congress I have introduced a number of legislative proposals designed to fulfill the promises of the Housing Act of 1937 and the Housing Act of 1949. On past occasions I have testified concerning their specifics and will do so again today.

In this Congress, my housing package consists of some 18 bills, which are intended to provide a far more adequate housing programs for all Americans. I believe the housing crisis, which was exacerbated by the catastrophic decline in housing starts in 1966, and the very slow recovery thus far, must be met head on with bold new programs to release the millions of low- and moderate-income families from deprivation and despair. We need new programs, and we need to redirect some present policies—and my bills will, if passed, open up new opportunities to many citizens locked in urban ghettos.

H.R. 15624—The administration bill:

Let me begin by making comments on H.R. 15624, the Housing and Urban Development Act of 1968, which is the administration's bill. In general, the administration's bill makes useful and necessary extensions and modifications of existing programs.

However, there remain pressing problems to which it is not addressed; and in many areas the increases in the rate of new construction will still not be sufficient to meet the need. Specifically:

There is a need to increase allocations for public housing and rent supplements beyond the levels proposed in H.R. 15624.

Relocation procedures must be improved and made more equitable.

There should be a uniform relocation statute providing for a central relocation bureau which would administer a uniform relocation policy for all direct Federal and federally assisted construction.

Housing construction in slum areas should be a means not only to build homes but to provide jobs to local residents. The provisions of the Model Cities Act—sections 101 and 103—which require model cities funds to generate employment of target-area people, should be extended to other federally assisted housing programs. Reports in the press last week suggest that the requirements of the Model Cities Act may not be fully carried out. This will require the continuing scrutiny of the Congress to insure that congressional intent is being followed.

More assistance should be provided to cooperative and condominium housing as the most feasible form of low- and moderate-income homeownership in urban areas.

Present FHA programs are only of benefit where an entire cooperative or condominium is constructed through an FHA loan. If an individual wishes to buy into a cooperative or condominium, there is no FHA program to benefit him. Nor is there any FHA loan program for persons acquiring non-FHA cooperatives or condominium houses.

Section 304 of H.R. 15624 would make available FHA insurance for loans to purchasers of condominium units in non-FHA projects of 11 units or less. This is a start, but it should be extended to all economically viable cooperative and condominium housing.

Section 204 of H.R. 15624 authorizes $20 million for management assistance and tenant services in public housing. This is a welcome initiative. However, it should emphasize transferring actual management functions to tenants, associations, and it should not be restricted to public housing, but should be available to all low- and moderate-income federally subsidized housing programs, including rent supplements. Also, the authorization should be larger.

The neighborhood development program proposed in section 501 of H.R. 15624 should make the operation of urban renewal more efficient. Instead of the present practice under which funds are backlogged in the pipeline for many years, the Secretary may allocate funds for only a year in advance. Although financing on an annual basis may streamline the operation of urban renewal, it does raise questions which I call to the attention of the Subcommittee on Housing:

First, will the workable program have to be in effect throughout the period of assistance or only during the first year? The workable program requirement should be utilized effectively and be in force throughout the period of assistance.

Secondly, the neighborhood development program proposes to accelerate processing time. How does the Department of Housing and Urban Development propose to reconcile this with the citizen-participation requirement?

Let me endorse section 504 of H.R. 15624, which would permit expanded acquisition of residential property by an urban renewal agency for rehabilitation purposes. This could provide the basis for cooperative resident ownership proposed in my bill, H.R. 14034.

Sections 101 and 201 of H.R. 15624 would provide a mortgage subsidy program for middle-income home ownership and rental housing. The rental housing program—new section 236—supersedes the 221(d)(3) below-market-interest-rate program and substitutes a direct subsidy of private market loans for FNMA takeout. This change has provoked much discussion.

There is a danger that, by agreeing to directly subsidize market loans, the program may push interest rates still higher.

Second, the differential between the subsidized rate and the market rate will always be greater than the differential between the subsidized rate and the Treasury borrowing rate or the participation certificate rate.

In effect, by directly subsidizing market loans, Federal subsidy funds do not stretch as far, and each loan is more costly to the taxpayer than the present system.

On the other hand, the administration claims that the direct subsidy approach has the advantage of permitting flexible degrees of subsidy, keyed to income. It is also claimed that direct subsidy obviates the growth of the FNMA portfolio unwieldy levels, and gets around paper budgetary problems.

I would agree that there are problems and benefits with both FNMA takeout and with direct subsidy. It seems to me that the clearest way to achieve the benefits of both is to establish a direct loan program with a revolving fund capitalized through Treasury borrowing. Where desired, rates keyed to income could be further subsidized through annual appropriation.

Direct Government loans could be offered where private mortgage funds are not available at reasonable rates. The existence of such a fund would result in a great easing of the credit squeeze. It would affect the supply and demand balance of the private mortgage market and lower rates generally. In a period of high rates, rents could be kept low by increased subsidies.

I do not promise unanimous support for this proposal from the fraternity of mortgage bankers, but it is the most economical and most direct means of financing moderate-income housing. I have proposed such a direct loan program in H.R. 1222 modeled on New York State's Mitchell Lama Law. A description of the bill follows:

MIDDLE-INCOME HOUSING

H.R. 1222 would establish a new revolving loan in the Department of Housing and Urban Development to assist in the construc-

tion and rehabilitation of middle-income housing. Although my bill pertains to rental housing, it could encompass moderate-income homeownership.

This bill would be a step forward in eliminating the gap between the prices on the private housing market and the rents established for public housing, which makes it difficult for middle-income families to live in decent housing.

A task force study on middle-income housing in the New York area concluded that rental housing constructed by unaided private enterprise, despite the best efforts of capable developers and builders, cannot be built at the present time at a rental rate of less than $30 to $40 per rental room, depending upon the type of construction and the location. Yet this same study found that New York's middle-income families need housing that costs no more than $17 to $29 per room a month.

Congress established the 221(d)(3) program in 1961 to grant loan insurance for the provision of housing for moderate-income families. But only a little over 40,000 units have been provided under this program in the entire country. And the fact is that the 221(d)(3) program has hardly helped in New York City. Land and construction costs are too high to keep the rents "moderate."

H.R. 1222 will go far toward relieving the deficiencies of the middle-income housing market and will create a program of long-term, low-interest, Federal loans for mortgages on rental or cooperative housing projects and for rehabilitation, giving private enterprise the necessary means and incentive to erect and repair housing that can be made available at a moderate cost.

This new loan program will be administered by the Secretary of Housing and Urban Development with a self-liquidating revolving trust fund. Annual appropriations by Congress will not be necessary since the funds for the revolving fund will be borrowed from the Treasury.

Loans extended to middle-income housing sponsors will be entirely repaid and the administrative costs of the program met by interest charges insofar as possible. This bill also requires that reasonable reserves be set aside for insurance purposes and will hold losses to a minimum by provisions which require that borrowers have adequate security and an acceptable credit rating in order to qualify for a loan.

The financial assistance proposed by this legislation can make a necessary and important contribution to the middle-income needs in the urban core of all American cities. Specifically, H.R. 1222 authorizes Federal mortgage loans to cover 90 percent of the certified development cost of a middle-income housing project.

This bill offers cooperatives, nonprofit housing associations, local public housing authorities, and limited dividend corporations loan funds for the conservation, repair, alteration, and rehabilitation of middle-income housing and housing for the elderly.

A home improvement loan under this program would be limited in amount to the actual cost of the work on that which, in the opinion of the Secretary, is needed to furnish suitable housing for middle-income and elderly persons.

Although borrowers under these programs may obtain part of the necessary funds from other public loan sources or private credit facilities, the total indebtedness acquired for either mortgage or home improvement loan purposes may not exceed the maximum limits established in this bill. This last provision will prevent undue speculation.

The terms for these loans have been made as reasonable as possible in order to give the most financial assistance to eligible developers of middle-income housing and, at the same time, keep the revolving loan fund on a self-supporting basis. The Secretary is authorized to set the interest rates for these mortgage and home improvement loans at levels no higher than necessary to cover the cost of the funds borrowed from the Treasury, and maintain reasonable reserves. One-half of 1 percent is added to this rate to cover the overhead administrative costs of the program.

H.R. 1222 also specifies long amortization periods for repayment of these loans in an effort to keep the costs of middle-income housing at the lowest possible level. Borrowers of mortgage funds under this program may take as long as 50 years to repay. A mortgage loan may also be refinanced for an additional period of no more than 10 years at the discretion of the Secretary, provided that such refinancing would not endanger the stability of the housing project by permitting an excessive income in the rents for its dwelling units.

The home improvement loans provided by H.R. 1222 may be amortized for periods of no more than 40 years or three-fourths of the remaining economic life of the structure, whichever is less. A borrower may extend this repayment period for 3 years.

To insure that this liberal financing will give asistsance where it is most needed, my bill calls for an estimate by the Secretary of the need for middle-income housing in each market in the country. Appropriate shares of the loan funds are to be allocated on the basis of the findings. Furthermore, no loan will be given to a builder or housing sponsor who cannot show an existing need for middle-income housing or housing for the elderly in his area.

Legislation of this type is vitally needed to close the gap in the housing supply which exists between low-income public housing and high-rent luxury apartments.

It is time to admit that our low- and middle-income housing problems will not be solved by a strict adherence to the present FHA approach. It is understandable that Congress has been hesitant to endorse direct loans. However, the need for loans has not been met from private sources.

Congress recognized this when it provided for direct loans for senior citizens housing in 1959. This program was designed to house our senior citizens whose income is too low to participate in the private housing market, or even take advantage of liberal FHA insurance programs. Both the necessity and the popularity of this program speak for themselves. There are thousands of middle-income Americans without a decent home who have precisely the same need as the elderly whom we have rightly sought to help.

A program of low-interest, long-term Federal loans, such as I propose in H.R. 1222, is necessary if we really intend to meet the middle-income housing need in this country.

Another of my bills, H.R. 1223, would also benefit moderate income families—those who choose to live in cooperatives. H.R. 1223 would amend title II of the National Housing Act to provide FHA mortgage insurance for individuals acquiring dwelling units in cooperative housing projects in the same way that such insurance is provided for individuals purchasing other single-family residences.

This bill would heighten the probability of low-income public housing occupants and middle-income persons becoming homeowners. Through long-term, low-interest loans insured by FHA, cooperative apartments could be made available, thus promoting the concept of homeownership.

PUBLIC HOUSING

Let me turn to public housing. I have introduced seven bills to strengthen and improve the public housing program.

After years of inadequate funding of public housing, the administration has proposed H.R. 15624 to build 775,000 public housing units over a 5-year period. This is finally a realistic level of effort, although it is still not sufficient.

There are many in and out of Government who hope for a gradual demise of the low-rent public housing program. Some continue to have a sublime faith in the ability of private enterprise to build housing for low-income families. Others believe the rent supplement program will gradually replace public housing.

These supporting the private enterprise route are blind to the experience of the last 20 years—private builders go where the profit is, and that is in luxury housing. The rent supplement program could complement public housing—if Congress would appropriate sufficient funds and if the rentals could be adjusted to reflect more accurately the budgetary needs of low-income families.

The fact is that public housing remains the most effective means of reaching low-income families. It must be improved and expanded.

For a number of years I have introduced legislation amending the Housing Act of 1937 by removing the existing limit on the amount of annual contributions which may be contracted for by the Housing Assistance Administration.

In the 90th Congress, it is H.R. 1229, I have felt that this is a much better way to deal with public housing than through repeated efforts to increase the existing authority.

In the last analysis, the control of the amount of public housing that can be put into effect in any one year lies with the appropriation, not with the authorization. Would it not be better to let the Department of Housing and Urban Development gage the annual need for public housing by the number of applications it has processed?

Given the tremendous backlog—about 135,000 applications are pending in New York alone—I think the 300,000 annual figure over a period of 10 years, proposed by H.R. 14244, or the level of 500,000 a year for 4 years, proposed by H.R. 16266, represent a more appropriate order of magnitude, I have cosponsored both bills.

H.R. 16266 is significant in that it recognized the connection between an enlarged program of housing construction in slum areas and the generation of jobs for slum-dwellers. In this way, the circle of poverty is cut in two places simultaneously.

Another bill of mine, H.R. 1228, would remove the current 15-percent ceiling on the amount of assistance which may be provided for public housing in any one State. Public housing should be built where the need is greatest, and not on the basis of an artifical quota system.

I have introduced H.R. 1230 to raise the per-room limitations on public housing projects by $1,000. This is needed to counter the rising cost of housing construction, which will otherwise virtually eliminate the possibility of building adequate and attractive public housing. Since 1946, the consumer price index has increased by about 60 percent, but the residential construction cost index has gone up by more than 90 percent.

Clearly, we are experiencing an increase in this sector of the economy out of proportion to overall cost-of-living increases. If we fail to raise the cost limitation on public housing, we will be forever plagued by the argument against unattractive, institutional structures.

One additional point about the public housing cost limitation. Per-room construction limitations are established by statute. In addition, limitations on overall per-unit development costs have been established administratively. In a high-cost area, the only way projects can be built within the overall per-unit limitation is by restricting the number of rooms.

In effect, the act thereby induces local public housing authorities—especially in high-cost areas—to build units with few rooms. In this way, public housing fails to

adequately provide for the needs of large families.

We should make it clear to HUD, either through legislation or committee recommendation, the intent of Congress that a sizable proportion of low-rent public housing units should be constructed to accommodate large families and that any administrative per-unit limitation should take this objective into consideration.

I have introduced H.R. 1231 which will add the concept of due process of law to the procedures for the eviction or removal of a tenant from his home in a low-rent public housing project by providing that a tenant in a public housing project may not be evicted without a public hearing. This is consistent with American ideals of justice and asks only that a public hearing be given a tenant regarding his proposed eviction, that the decision of the public housing agency be based on the record of the hearing, and that such decision be subject to judicial review in the courts. It is hardly necessary to state that it is only fair that public housing tenants be accorded the same standards of justice that exists for those more fortunate.

Homeownership for low-income families is an idea whose time has come. For years, I have urged cooperative and condominium ownership as a means of offering homeownership to low- and middle-income urban families. One way to promote this concept is to permit public housing tenants to purchase the units in which they reside.

My bill, H.R. 14561, amends the Housing Act of 1937 to authorize occupants of dwelling units in low-rent public housing projects to purchase such units. It would also make possible for all or part of a public housing project to be converted to a nonprofit cooperative housing corporation or trust formed by occupants of the project. I have introduced legislation to accomplish this objective since my election to Congress. It is encouraging that the administration's bill, H.R. 15624, includes a provision—section 205—permitting local housing authorities to sell low-rent housing units to tenants.

EXTENSION OF RENT SUPPLEMENTS

The rent supplement program was presented as a major innovation designed to provide low-income housing through private enterprise. It will not have a fair test until it is adequately funded. Thus far, only $42 million has been appropriated for rent supplements. This translates into 42,773 units presently under contract, a pitifully small amount.

The administration bill proposed to increase the authorization for contract authority by $40 million for fiscal year 1970, and an additional $100 million in each of the fiscal years 1971, 1972, and 1973. This increase will provide a total increase of about 375,000 units over 4 years. By contrast, H.R. 14244 proposed an additional 200,000 rent supplements yearly for the next 10 years. I support the higher figure proposed in the Full Oportunity Act, H.R. 14244, which I have cosponsored.

One difficulty with rent supplements has been the fixed requirement that the tenant pay 25 percent of his income for rent. This may be equitable for a couple with one child; but, as one local housing administrator has expressed it, a family of six, in order spend one-fourth of a $4,000 yearly income on rent, would virtually have to forego eating.

I have introduced legislation, H.R. 16053, which would amend the rent supplement program by providing a deduction of $200 for each minor or non-income-producing adult member of a family, other than the head of the family or his spouse, from the income upon which the 25 percent is computed.

A couple without children earning $4,000 per year would pay 25 percent, or $1,000. But a family with four children and an income, of $4,000 a year would be able to deduct $200 for each child, or $800. Its income base would therefore be $3,200, and 25 percent of that would be $800. So, instead of paying 25 percent of its real income, that family would be paying $800 out of an income of $4,000, or 20 percent.

Another bill of mine which would permit a more flexible rent supplements program is H.R. 1234. This bill would amend the Housing and Urban Development Act of 1965, to make eligible for the rent supplement program housing financed either directly or indirectly by States and municipalities.

President Johnson called the rent supplement program "the most crucial new instrument in our effort to improve the American city." But this program will never begin to meet the needs of our low-income families if it remains largely tied to the 221(e)(3) below-market-rate interest loan program.

Rent supplements could greatly stimulate housing financed by States and municipalities. If H.R. 1234 were adopted, Connecticut, Illinois, Massachusetts, New York, and Pennsylvania, for example, could use rent supplements for their State housing projects.

In New York State, projects financed under the limited-profit, middle-income, Mitchell-Lama program, which are privately constructed, owned, and operated exactly like those projects now eligible for rent supplements, are not eligible. They have direct loans from the city or the State. My bill would allow the 35,000 units built under this New York State program to have rent supplement tenants. This would be an important step toward making the rent supplement program truly a crucial new instrument.

THE COOPERATIVE REHABILITATION HOUSING ACT

I wish to bring to the special attention of the Subcommittee on Housing, H.R. 14034, the Cooperative Rehabilitation Housing Act, which I introduced last November 15. I believe this measure offers new approaches to attacking the syndrome of absentee-owned slum housing.

My bill recognizes that many urban buildings which have fallen into disrepair are structurally sound and capable of rehabilitation. The difficulty is that economic and psychological disincentives built into absentee ownership of slum buildings, where profits are high and investments marginal, discourage even careful maintenance, let alone efforts at rehabilitation.

H.R. 14034 would encourage the rehabilitation of such dwellings through their conversion to cooperative ownership by their residents. It provides a low-interest, revolving loan fund for acquisition and rehabilitation.

It enables the tenants to negotiate a sale directly with a private owner, or to acquire the dwelling from a municipality. There are also incentives for municipalities to acquire, through condemnation or otherwise, dwellings which are in repeated violation of local building and health codes, for the purpose of eventually transferring them to resident cooperatives.

I note that section 504 of the administration housing bill, H.R. 15624, would facilitate the acquisition of residential buildings by a local urban renewal agency, for purposes of rehabilitation, by removing the current limitation of 5 percent.

My bill also provides a technical assistance service in the Department of Housing and Urban Development to facilitate the organization and management of such cooperatives.

Existing Federal programs to promote rehabilitation of urban housing are limited to public housing, nonprofit sponsorship, or loans to private owners.

The economics of slum housing make it unlikely that absentee landlords will take advantage of rehabilitation loans. Similarly, the new section 221(h) nonprofit sponsor rehabilitation program has hardly begun and part of the difficulty is the scarcity of suitable nonprofit sponsors.

Rehabilitated public housing forms the greatest single category of successful rehabilitation efforts. Approximately 20,000 rehabilitated public housing units are currently under contract. The average development cost was $12,822 per unit in fiscal year 1966, substantially less than comparable new construction. As successful as the experience in rehabilitated public housing may have been, it has none of the advantages associated with ownership.

Cooperative ownership has numerous advantages. It gives an organizational focus for community action by the residents. The familiar effects of pride of ownership improve maintenance and reduce costs. One successful example of a rehabilitated housing cooperative is the Parkchester cooperative in Southeast Washington. This was formerly a 292-unit, badly deteriorated, section 608, wartime project which had reverted to FHA after its owners had defaulted on the mortgages.

With the assistance of the United Planning Organization, Southeast Neighborhood House, and the Cooperative Housing Service Corp., a cooperative was organized which arranged to purchase the Parkchester development. Many of the tenants assisted in the renovation work, and Parkchester now operates as a resident-owned cooperative with units costing about $80 monthly to coop members. The rehabilitation work is proceeding well, and it is estimated that the cost to tenants will be about 15 percent less after rehabilitation than comparable units cost when the project was privately owned.

After considerable negotiation with FHA, a loan was arranged under the 221(d)(3) program; however, it is recognized that 221(d)(3) is not an ideal vehicle for this kind of effort, since it is generally aimed at a higher income bracket, and many of its requirements were waived in this case under section 223, which permits the Commissioner to set the terms for disposing of FHA-held properties.

H.R. 14034, unlike the existing 221(d)(3) program, is directed specifically at the conversion of existing older units into cooperatives. The sections of the bill are summarized as follows:

"SUMMARY OF RYAN BILL, H.R. 14034, THE COOPERATIVE REHABILITATION HOUSING ACT

"SEC. 1: TITLE. Cooperative Rehabilitation Housing Act.

"SEC. 2: FINDING. That wider home ownership in low-income urban areas is highly desirable as a means of preventing or arresting urban decay. That absentee ownership encourages or perpetuates slums. That many existing buildings could be rehabilitated, but the economics and psychology of absentee ownership discourage it. Act encourages home ownership by low and moderate income multi-family housing dwellers.

"SEC. 3: LOAN AUTHORIZATION. Secretary of Housing and Urban Development authorized to make loans to tenants' groups for acquisition and rehabilitation of housing acquired either from present landlord or municipality after condemnation. 100% loans at a rate not higher than the current rate on the public debt, and not lower than 2%. Priority of membership in cooperative to be given to present residents of building. Average income of cooperators at the time of loan must be within 221(d)3 limits, excluding the highest income one fourth. Average monthly payments to cooperative must not exceed 20% of average tenant income. The interest rate on the loan is adjusted to as low as 2% to comply with this condition. All inhabitants must be members of the cooperative; cooperative cannot sublet for profit.

"SEC. 4: INTERIM LOANS. A loan may be

made to a municipality for acquisition and rehabilitation of a structure, if the building and the loan obligation will be transferred to a tenant cooperative at the earliest possible date following completion of the work.

"SEC. 5. GRANTS TO MUNICIPALITIES. Grants for up to 50% of the administrative costs to a municipality in acquiring title to a building and conveying it to a tenant cooperative.

"SEC. 6: TECHNICAL ASSISTANCE. Technical assistance service in the Department of Housing and Urban Development includes initial organization of tenants' groups, assistance in the acquisition of buildings, arranging the loans, contracting for the rehabilitation work, instructions in management. Certain of these functions may be contracted to non-profit groups which specialize in assisting cooperatives.

"SEC. 7: REVOLVING FUND CREATED ON THE BOOKS OF THE TREASURY.

"SEC. 8: POWERS OF THE SECRETARY.

"SEC. 9: LABOR STANDARDS. Laborers, contractors and subcontractors must be paid at prevailing rates, but Secretary may give permission for members of the cooperative to help in the rehabilitation. In the awarding of contracts, the local contractors shall have priority. Local residents shall be employed to a maximum feasible extent in the rehabilitation work. Funds for necessary training.

"SEC. 10: ANNUAL APPROPRIATIONS. Annual appropriations to cover the subsidized interest rate, and other administrative costs."

Let me say to the distinguished members of the subcommittee that I am not committed to every last comma of this particular bill, but rather to the concept. I would hope that the subcommittee will carefully consider this proposal, and I would welcome the opportunity to work with the subcommittee on any modifications which the subcommittee deems desirable.

To note one area in particular, H.R. 14034 proposes a direct loan fund. I have long held the belief that direct loans are insufficiently utilized in Federal housing programs. The success of New York's Mitchell-Lama law demonstrates that direct loan programs are able to meet the needs of middle-income housing. Although I would prefer the direct loan approach, I am aware that this is the year for mortgage subsidy programs, and that mechanism of financing would not impair the basic purpose of my bill.

URBAN RENEWAL

Let me now discuss the major program which the Housing Act of 1949 established to help rescue the slumdweller—urban renewal.

A glance at title I of that act clearly shows that its authors conceived of it as a program of slum clearance and urban redevelopment—a program to uplift the poor and upgrade their housing.

Yet, too often, the bulldozer has come in and removed the residents—mostly minority groups—and then build costly luxury apartments or commercial structures.

The Renewal Assistance Administration reported that as of June 30, 1966, out of a total of 1,155 urban renewal projects with contracts authorized, only 497 were exclusively, or even primarily, residential, while 658 were exclusively or primarily nonresidential.

In New York City, for example, between January 1, 1960, and June 30, 1965, the Renewal Assistance Administration approved three residential projects totaling $25.4 million, and two nonresidential projects totaling $32.1 million. The conclusion is inescapable that urban renewal is not providing enough housing for the urban poor.

President Johnson has said that—

"The Federal program of urban renewal is today our principal instrument for restoring the hope and renewing the vitality of older cities and wornout neighborhoods."

But I second his stricture that—

"Despite existing programs assisting families and persons displaced by urban restoring the hope and renewing the vitality of older cities and wornout neighborhoods."

The human problems surrounding the urban renewal program must be resolved. Too often both the executive branch and the Congress seem only interested in how many units are produced—not what happens to the people.

Over 200,000 families have already been displaced by urban renewal projects. Who can say how many lives will be disrupted? Some estimates run as high as 1 million.

To put the urban renewal program on the right track—the track set by the Housing Act of 1949, I have introduced five bills:

1. H.R. 1224, to prohibit the construction of luxury housing in the redevelopment of urban renewal areas;

2. H.R. 1225, to require the establishment of more effective procedures for the relocation of individuals, families, and business concerns displaced from urban renewal areas;

3. H.R. 1226, to provide that individuals, families, and business concerns displaced by an urban renewal project shall have priority of opportunity to relocate in the project area after its redevelopment;

4. H.R. 1227, to provide more adequate relocation payments for individuals, families, and business concerns displaced from urban renewal areas; and

5. H.R. 1233, to remove the 12.5-percent limit on the amount of grant assistance which may be provided for urban renewal in any one State.

Many times during the last three Congresses, I have spoken about the construction of high-rise luxury apartments on land that formerly housed poverty-stricken slumdwellers. I have called attention to the Manhattan town scandal, where Webb & Knapp produced luxury housing on urban renewal land with rents beginning at $49 per room; the high profits the Zeckendorf companies have realized from New York urban renewal projects; and the Washington Square Village development where apartments rent for as much as $246 per room per month.

In addition to these New York projects, the Southwest Development in Washington, and the Capitol Hill project in Nashville offer concrete examples of the luxury type of housing that is often constructed on urban renewal sites. This practice must be stopped if the low-income housing problem in the urban core of our great cities is to be solved.

This land was cleared in order that slums might be eliminated and those formerly living in them be housed in decent quarters. The subsidization of high-rent property should not be sanctioned while thousands of middle- and low-income persons remain ill-housed.

A recent study by the Detroit City Planning Commission goes a long way toward explaining why more and more high-rent apartments are being built on urban renewal sites.

This study discloses that land formerly of mixed residential status, when turned into single-family dwellings, more than doubles in assessed value. This is impressive, but even more impressive is the further observation that, when the same land is used for apartment houses, the increase in assessed value jump more than fivefold.

This has an obvious appeal to city fathers who are often thinking about the future magnificence of their cities rather than the degradation of the unhoused. As the London Economist has pointed out, luxury apartments may "please city governments by yield ing higher rates but they do not help the ejected slumdwellers."

In order to stop this neglect of the slumdweller, I hope the Congress will pass H.R. 1224.

Another failure in the urban renewal program—relocation—can be improved by the other bills of mine which I have listed.

H.R. 1225 protects site residents by requiring local public agencies to complete effective relocation in safe and sanitary housing before disposal of property within the urban renewal area. It also eliminates the present unsatisfactory practice of "farming out" relocation to some private organization. H.R. 1225 requires the local public agency to exercise this responsibility through a central relocation agency. In this way, the actions of the local public agency will remain under the scrutiny of the Renewal Projects Administration to insure that the stipulations of the Housing Act of 1949 regarding relocation are being carried out by the recipients of the grant.

H.R. 1226 will reduce the effects of the dislocation of businesses and the disruption of longstanding community relationships by requiring the local public agency to give priority of opportunity to relocate in the project area after its redevelopment to those displaced by the project. It is only fair that economic and social relationships be taken into consideration and that neighborhood characteristics be preserved as much as possible in order to minimize the social cost of progress.

H.R. 1227 provides more equitable relocation payments. Displaced people have more at stake than property. Many of them had lived in their familiar surroundings for most of their lives. They have friends, relatives, associations, and fond memories, that cannot be replaced in terms of money. Businessmen who have built up a regular trade over a period of many years cannot be compensated for the loss they suffer from relocation.

H.R. 1227 makes provision for payment of the difference in rent between prior quarters and the relocation site for one year. Under my proposal, the payment would be tied to existing rents rather than to income, and would cover the first year when the hardship is the greatest.

Recognizing the validity of compensation for loss of profit due to relocation, it provides for 1 year's payment of the amount of such loss. Finally, H.R. 1227 extends relocation protection to those businessmen who are unable to find a relocation site within 1 year by requiring payment for the fair and reasonable market value of their trade or business if they hve not been granted a priority of opportunity to purchase or lease substitute facilities to be constructed or provided in connection with the development project.

Another inequity in the urban renewal program is the limitation of 12.5 percent grant assistance to any one State. New York City alone reported 2.6 million occupied housing units in the last complete census, 1960, of which approximately 550,000 were "deteriorated, dilapidated, or lacking in essential facilities."

A million and a half New Yorkers live in this substandard housing. Therefore, imposing an arbitrary limit is unjust, for it prevents urban renewal from reaching the urban centers of greatest need.

My bill, H.R. 1233, would remove the arbitrary limitation.

Adequate Maintenance of Low-Income Rental Property:

Another of my bills, H.R. 1232, is designed to take the profit out of slums—a proposal President Johnson made in the fall of 1966 in his speech at Syracuse. H.R. 1232 would remove the incentive that presently exists for slumlords to fail to adequately maintain their property. It would amend the Internal Revenue Code of 1954 to "require the owner of an apartment building or other multifamily structure to establish and utilize a repair, replacement, and maintenance reserve as a condition of the allowance of a depreciation deduction with respect to such structure."

The purpose is to eliminate the benefit that slumlords gain from depreciation of improperly maintained property. I am

pleased that my colleagues on the Housing Subcommittee, Representatives Reuss, Moorhead, and Ashley, have advocated a similar provision in title XII of H.R. 12142.

My bill further requires demonstration by the taxpayer that the reserve fund is being used for the intended purpose. In this way, landlords will be discouraged from making a profit from permitting the deterioration of homes in which low-income people must live.

CONCLUSION

President John F. Kennedy once said:

"The cities—their needs, their future, their financing—these are the great unspoken, overlooked, underplayed problems of our times."

I propose that in 1968 we make the problems of the cities the great spoken issues of our times. If the American city is to achieve excellence, then we must not rest with the unfulfilled promise of 1949 or even with the most recently enacted program—for they are far too meager.

Rather, we must embark upon a massive housing program which will create both jobs and shelter for urban residents. One million low- and moderate-income housing units annually for the next 10 years, as proposed in the Full Opportunity Act, H.R. 14244, is an attainable goal which can be achieved by strengthening public housing, expanding the rent supplement program, promoting urban cooperative and condominium ownership, taking the profit out of slum landlordism, and a new direct loan program for the construction of middle-income housing.

Only then will we begin to solve this Nation's housing crisis.

Only then will the city, in Aristotle's words, exist for "the sake of the good life, and not for the sake of life only."

I believe that passage of my housing bills will be in part a redemption of the promise made by Congress in the Housing Act of 1949.

I want to thank all of you gentlemen for your patience in having listened to me, and I am happy to answer any questions which you may have.

I hope that with the assistance of committee counsel, all of these bills will be looked at very carefully in an attempt to enact into law my proposals which I think are of crucial importance in terms of the problems confronting us in our major urban centers.

Mr. PATMAN. Mr. Chairman, I yield 2 minutes to the gentleman from Maryland [Mr. MACHEN].

(Mr. MACHEN asked and was given permission to revise and extend his remarks.)

Mr. MACHEN. Mr. Chairman, at the appropriate time I shall offer an amendment to the Omnibus Housing Act of 1968 in an effort to close a glaring loophole in the Federal mortgage insurance programs involving high-density development.

The existence of this loophole permits the Federal Government to assist in mortgage insurance for housing projects for low- and moderate-income persons—projects that in highly density development have fantastic impact on schools and other local public services—without any consultation or cooperation with local governing bodies. The existence of this loophole is in direct conflict with many other Federal-aid housing programs, including at least two in this omnibus housing act, that require that local government be brought into the picture to prevent the national government from placing under hardship on local govrenment in these housing projects.

Mr. Chairman, my amendment would require the Secretary of the Department of Housing and Urban Deveolpment to notify local government when an application is received for Federal insurance mortgage covering a housing project of more than five dwelling units per acre. This is not now required, nor practiced. My amendment then would have HUD request the local government where the project is to be located to provide a statement on the impact on schools and other public services of the proposed project and on its conformance with locally-adopted master plans. This is not now required.

The Secretary is then authorized to tentatively approve the application for Federal mortgage insurance, if it meets existing .statutory requirements, after the Secretary receives the statement on impact and master planning. If tentative approval is granted, the Secretary must then notify the local government to that effect. From the date of notification, the local government has 90 days to either approve or disapprove the Secretary's tentative approval, and forward to him a statement of its reasons.

If, however, the local governing body disapproves, the Secretary may grant final approval to the application if he finds that the housing project is consistent with comprehensive planning and locally adopted master plans, and that the project will not cause an unreasonable burden on schools and other public services provided by local government. This is highly important.

Mr. Chairman, I will offer this amendment in order to involve local government in the process of Federal mortgage insurance where high-density housing projects are proposed. There is ample precedent for this requirement.

Many Federal housing programs such as urban renewal, model cities, and others require that local government be directly involved. There is good reason for this. It is the local government that must bear the burden of the impact of these projects. If a proposed project is going to require extra public services that local government cannot provide, then everybody loses and nothing is gained. At least two provisions in H.R. 17989 which we are considering—rehabilitation and neighborhood conservation housing insurance and the National Homeownership Foundation—require that local governing bodies be directly involved in order that necessary public services will be provided, or that the projects will not cause any undue hardship on existing public services.

There is another aspect of this problem that makes the loophole particularly acute. Local government is responsible for the orderly growth and development of private property. There is no way it can meet this responsibility if the Federal Government aids private developers in high-density developments without any cooperation with local government. The local government is left holding the bag, local public services get the extra burden and are, in many cases, strained beyond belief.

Mr. Chairman, section 221(d)(3) has no requirement for direct involvement by local government in federally insured mortgage housing projects. The lack of such a requirement is a license to build high-density development without any consideration for impact on schools and other local public services. It is a license my amendment will revoke.

Last week we had an excellent demonstration of the disastrous effect that this loophole can have. It was announced that a 2,000-person high-rise, high-density housing project for moderate-income people under section 221(d)(3) will be built at New Hampshire Avenue and Ray Road in Chillum, in my district. The newspaper announcement was the first I had heard of it, and the first our county school board had heard of it. When the property in question was rezoned for apartments in 1963 it was estimated that they would generate 30 to 40 new students. Now, 5 years later, the school board is estimating from 200 to 300 new students from this project. The two elementary schools in the neighborhood simply cannot accommodate this load. There is no land available for a new school. There is little available to expand the existing schools. Our school board and our county government have been left holding the bag in this situation, and who is going to bail them out?

They were not involved at all in this project. There was no consultation with the school board at all. But the school board has had a crisis dumped on it and I suspect that the Department of Housing and Urban Development, which approved this Federal mortgage insurance, could care less. They did not care enough to contact the appropriate county officials because the law does not require it in section 221(d)(3) projects.

That is why I am going to offer this amendment to simply bring the county government into the picture in Federal mortgage insurance for high-density projects. It is not too much to ask; it is being done already in most other Federal housing projects, and it is the least the Federal Government can do to insure that these projects will benefit all parties. I urge my colleagues to support my amendment when I offer it.

Mr. ROGERS of Colorado. Mr. Chairman, I rise today to discuss a recommendation contained in the Housing and Urban Development Act of 1968 which fills an existing vacuum in our urban legislation—a vacuum which results in untold hardship and financial loss to many of our citizens through no fault of their own. I refer to title X of H.R. 17989 entitled "the Urban Property Protection and Reinsurance Act of 1968"—popularly known as riot insurance.

President Johnson with great wisdom had this to say of the proposed legislation:

> Insurance protection is a basic necessity for the property owner. But for the resident of the city's inner core and the local businessman who serves him, protection has been difficult to obtain.
>
> This program will assist the insurance industry and the States to offer adequate property insurance for the inner cities. Through reinsurance, the program can help the States provide for the contingency of any large emergency losses.

Title X would authorize the Secretary of Housing and Urban Development to

carry out a cooperative Federal-State-industry program for expanding the availability of essential property insurance coverage in the Nation's urban areas. This program would be directed toward encouraging private industry to write insurance in neighborhoods and sections of cities where it has been difficult to obtain. Companies participating in this program would be entitled to purchase reinsurance from the Secretary to protect them from extraordinary losses they might suffer from riot or civil commotion damage under their regular insurance contracts.

Enactment of this legislation will serve two important objectives: First, it will make basic property insurance—fire and extended coverage, vandalism and malicious mischief, burglary and theft—more readily available to homeowners and businessmen in the center core areas of the Nation's cities. Second, by making riot-loss reinsurance protection available to insurance companies themselves, it will help prevent any restriction of the insurance market in areas threatened by possible civil disorders.

This title before us has an impressive history and has all the elements of a good program. The bill has the benefit of a special study by a Presidential Commission, months of work by representatives of the Department of Housing and Urban Development, State insurance commissioners, and all segments of the property insurance industry. In addition it has benefited from the expertise of the distinguished gentleman from Pennsylvania who anticipated the major recommendations of the Commission's report in a bill he sponsored at the close of the first session of this Congress. Indeed, the substance of that bill, H.R. 14623, is strikingly similar to title X of the bill before us today. The distinguished gentlemen of the subcommittee and the full committee, and this body, owe a debt of gratitude to the gentleman from Pennsylvania, WILLIAM S. MOORHEAD, for his special help in making this legislation provide a practical solution to the complex problem of meeting the insurance crisis of our cities.

The problem was described in testimony before the subcommittee and it may be summarized as follows:

The rebuilding of our cities is being thwarted by the deterioration of their inner city areas. Responsible owners who want to maintain their properties and businesses are unable to obtain adequate property insurance against fire, crime, and other perils.

Many private insurance companies have found it uneconomic to continue to offer this protection. There has developed the practice of "red lining" whole areas within a city and an almost automatic denial of insurance to property owners there for reasons of location alone, regardless of the condition of the property.

Without insurance protection against the perils of fire and crime, banks and other lenders cannot be expected to extend credit for improvement or purchase of real property or to finance business inventories. Without insurance, property cannot be repaired or improved and business cannot operate. As a result, property deteriorates and business, particularly small business, stagnates.

Riots and civil disorders in our urban areas in the last few years have aggravated this property insurance problem. Property insurance companies customarily reinsure against abnormally high losses from various perils, including riots and civil commotion, with organizations specializing in reinsurance. The unusually high levels of losses which reinsurers have paid on riot and civil commotion claims has seriously impaired the market for this reinsurance. The implications of this situation are critical to the national economy. Without reinsurance, insurance companies cannot continue to provide riot and civil commotion protection in the various lines of property insurance. To protect themselves against the lack of reinsurance, they may seek to cancel policies currently in force, as some companies already have, or refuse to renew them when they expire. The consequences of the unavailability of reinsurance are as serious for the insurance company as is the unavailability of insurance for the homeowner and businessman. Without reinsurance our economy cannot properly function.

Insurance is vital to the rebuilding of our cities. This is of special concern to the Department of Housing and Urban Development in its efforts to stem the forces of deterioration and revitalize older areas. The ready availability of property insurance is not only crucial to the on-going programs of FHA mortgage insurance but also to those proposed in other titles of this legislation that would operate to rehabilitate housing for sale or rental for lower income families.

I sincerely urge that the House enact this title.

Mr. KYROS. Mr. Chairman, in 1949, the Congress established as a national goal, "a decent home and a suitable living environment for every American family." In February 1968 the President proposed legislation designed to mobilize both public and private resources to achieve that goal within the next decade. Without question, a bill designed to achieve such an enormous task can be considered nothing less than landmark legislation. Such a bill is worthy of our most careful consideration, not only because of the greatness of the goal it is designed to achieve, and the scope and comprehensiveness of the means it would use to reach that goal, but also because the national needs, and deficiencies, to which it addresses itself have become so critical.

I would like to address my remarks to the two new housing programs which this bill would create. Both are, in my view, soundly conceived programs which will be essential if we are to obtain the full participation of private enterprise and the involvement of the low- and moderate-income families we seek to assist. Without such participation and such involvement, I do not see how the promise made in the Housing Act of 1949 will ever become a reality.

Section 101 of this bill would establish a new program of homeownership assistance for low- and moderate-income families. The assistance would take the form of periodic payments on behalf of such families to mortgage lenders in an amount necessary to make up the difference between 20 percent of the family's monthly income and the required monthly payment under a market interest rate mortgage for principal, interest, taxes, insurance, and mortgage insurance premium. In no case, however, would this assistance payment exceed the difference between the required payment under the mortgage and the payment that would be required for principal and interest if the mortgage bore an interest rate of 1 percent. By making the maximum assistance payment authorized under this section, it would be possible for a family with an income as low as $3,600 a year to afford a home with a $12,000 mortgage.

Section 201 of the bill would authorize an approach in the area of rental and cooperative housing similar to that found in the homeownership program.

FHA insurance of market rate mortgages given by nonprofit, cooperative or limited dividend mortgagors would be authorized. To enable these mortgagors to provide housing for low- and moderate-income families, the mortgagor would make monthly payments of principal and interest, as if the mortgage bore an interest rate of 1 percent. The difference would be paid periodically by HUD to the mortgagee on behalf of the mortgagor.

The mortgagor would establish a basic rental charge for each unit based on the cost of operating the project with a 1-percent mortgage. Each tenant or cooperative member would then be required to make a monthly payment equivalent to 20 percent of his monthly income. This payment could not be less than the basic rental charge, nor more than the fair market rental for the unit, computed on the basis of operating the project of the market interest rate set out in the mortgage. Charges collected by the mortgagor in excess of the basic rental charge would be repaid to HUD for use in making assistance payments under the program.

This program is a natural complement to the new homeownership program. It provides rental housing for those families not desiring, or prepared for, homeownership. Both programs rely upon the private sector for mortgage financing, both have identical 1-percent interest floors for subsidy purposes—which means they should be able to supply reasonably equivalent housing costs for the families they serve—and both require the assisted family to pay a set percentage of its income toward the cost of the housing. Also, under each program there is a requirement that a family's income be periodically recertified with the amount of assistance payment adjusted accordingly. This recertification requirement means that the amount of a family's payment will increase as its income rises until, eventually, it is able to pay the full amount due.

I stated earlier that no major housing program can hope for success without the full participation of private enterprise and the active involvement of the low-

and moderate-income families being assisted. These new programs meet both these criteria. The mortgage funds required for these programs will be drawn from the private sector rather than the Treasury and market interest rates and the availability of Federal mortgage insurance should make investment in these programs attractive to private business. The families assisted will have an incentive to improve their economic status, they need not fear eviction from their dwelling as their income rises and, in the homeownership program, there is provision for their contributing their own labor as "sweat equity" toward the purchase of their own homes.

These programs have been well thought out. They are supported and strengthened by other provisions in the bill. Given sufficient funding and an effective administration, I believe they will prove a real breakthrough toward decently housing the 20 million Americans that now live in substandard dwellings.

Mr. BINGHAM. Mr. Chairman, the magnitude and seriousness of housing problems for low- and middle-income families in this country demand an immediate renewal and expansion of Federal assistance. The House Banking and Currency Committee, of which I am a member, conducted 4 weeks of open hearings and met in numerous executive sessions to consider the nature and extent of these problems, and to consider proposed legislation in this area. The Housing and Urban Development Act of 1968 now before the House as reported by the committee contains provisions and programs that will, I am confident, enable us finally to reverse the slow but steady downward trend in the supply of adequate housing for low- and moderate-income families, and in the deterioration in the conditions of our urban areas.

The Housing and Urban Development Act contains many provisions—each of which, as the Washington Post noted in its lead editorial today, "would stand on its own as major legislation."

The legislation will permit the construction of 300,000 new public and publicly assisted housing units in the first year. This is well below the 740,000 new units that I and several of my colleagues in the House have felt accurately reflects the immediate housing need and which we proposed in the "jobs in housing" legislation I introduced last March. Nevertheless, the 300,000 new units provided for in this legislation for fiscal year 1969 represents the largest housing assistance effort undertaken since the Congress announced its intention in the 1949 Housing Act to help "provide a decent home and a suitable living environment for all Americans."

The heart of the jobs-in-housing legislation was the idea that an extensive Federal commitment to provide better housing and urban conditions could also provide useful jobs for thousands of unemployed and underemployed persons—construction jobs which pay well and which do not exclude slum residents who have minimal educational attainment and technical training. I am gratified that the Housing and Urban Development Act now before the House contains language, already approved by the Senate, instructing the Secretary of Housing and Urban Development, to the greatest extent possible, to give opportunities for employment arising in connection with the construction or rehabilitation projects assisted under the programs contained in the legislation to "lower income persons residing in the area of such projects."

This legislation also substitutes a new and substantially better program of mortgage interest subsidies to replace existing programs like the article 221(d)(3) housing program for low- and moderate-income families, and the article 202 housing for the elderly program. These earlier programs, which will be gradually phased out, required the Federal Government to purchase mortgages which were then held at 3-percent interest rates. The new mortgage interest subsidy program contained in this legislation would permit the Government to subsidize interest payments rather than entire mortgages, greatly stretching available funds and stimulating more extensive private investment in the home mortgage market.

The legislation also establishes a National Homeownership Foundation to make loans and grants and give other assistance to private and public groups that wish to provide rental and homeownership opportunities for low income families. It seeks to stimulate private investment in housing through national housing partnerships that would pool public and private funds to build housing on a limited dividend basis.

In addition to these new programs, this legislation contains new authorizations for existing programs—the model cities program, the urban renewal program, the mass transportation program, and the water and sewer facilities program—all vital if we are to make our cities liveable again. Even with more and better housing, residents of our cities need an environment in which they can work and play near their homes away from blight and pollution.

I have long urged greatly increased Federal assistance to build and upgrade mass transportation facilities in our cities, and I have sponsored legislation that would permit the states to elect to use a portion of the funds they receive from the highway trust fund for mass transportation improvements instead of for roads. In the "jobs-in-housing" bill which I sponsored, I urged that a total of $5 billion be authorized over the next three fiscal years for mass transportation assistance. The housing and urban development legislation currently before us authorizes $190 million to be added to the $190 million already authorized for mass transportation in fiscal year 1970. While this $380 million in authorizations for 1970 does not approach the amount that could profitably be invested and that eventually must be invested in mass transportation, it does represent a significant increase in the funds available for this important aspect of urban development.

Finally, Mr. Chairman, this legislation contains critically needed provisions that will improve the insurance protection available to property owners in urban areas by providing for joint State-Federal reinsurance of risks taken by private insurance companies on property in blighted or ghetto areas. It contains incentives that will stimulate insurance companies to develop statewide plans to provide fair and equal access to property insurance for anyone, anywhere in the State, who wishes to be insured. I have received an increasing number of letters, as I am sure many of my colleagues have, from constituents who own or rent business places and dwellings in urban areas. They complain with justification that it is increasingly expensive and difficult—if not impossible—to obtain insurance on their property in certain parts of the city. The Federal-State reinsurance plan provided for in this legislation would permit these property holders to continue to obtain insurance essentially at current costs. If urban businessmen and residents cannot obtain insurance on their property at reasonable cost and without fear of cancellation, they will be forced either to assume the risk themselves or to abandon their holdings and move elsewhere—neither of which is an acceptable alternative.

This legislation marks the beginning of what the President has defined as a 10-year commitment to build and rehabilitate some 6 million living units to accommodate the estimated 20 million Americans who are now tolerating substandard housing. I view this bill as a creditable and impressive beginning to this longer range commitment. It provides somewhat less in new authorizations than some groups genuinely feel is needed to provide enough jobs and housing with sufficient speed. It comes before the Congress at a time when expenditures are being cut back to conform to the spending limitations passed by the Congress and signed into law by the President as part of the tax surcharge legislation, threatening many vital programs like this one. But it is far from a modest or half-hearted effort. It is designed to create housing in all forms at a rate 10 times faster than has ever been attempted in the past. We can afford to do no less than to approve this ambitious legislation.

Every effort must be made to opposed any attempts to weaken this legislation by restricting its coverage, reducing its authorizations, or removing any of its several programs. I wish to congratulate the distinguished chairman of the Banking and Currency Committee, the able chairman of the Housing Subcommittee, and my fellow Members of the Committee, for their dedicated work in bringing this valuable legislation to the floor.

Mr. GONZALEZ. Mr. Chairman, I am pleased to support H.R. 17989, one of the most significant bills recommended by the Committee on Banking and Currency in the last 20 years. I am especially pleased with the emphasis placed in the bill on housing for low and moderate income families. The bill contains a package of legislative provisions which, if adequately funded and effectively administered, can result in a true breakthrough toward the provision of decent housing for these families. I would like

to describe briefly some of the major proposals in the bill directed toward the provision of low- and moderate-income housing.

Section 101 of the bill would allow the Government to help reduce the housing load on a low- and moderate-income family by paying up to a maximum of all but 1 percent of the interest charges on the mortgage loan on their home or cooperative dwelling unit. Only low or moderate income families would be eligible for this subsidy and each family would be required to pay 20 percent of its income for housing costs. The maximum mortgage amount that could be covered under this section would be $15,000, except that, in high cost areas, the maximum could go to $17,500. In addition, these ceilings could be raised to $17,500 and $20,000, respectively, in the case of a large family.

To further assist low or moderate income families become homeowners, section 102 of the bill would authorize the FHA to qualify for assistance under its home mortgage programs families that, under existing law, would be turned down because of marginal credit experience or irregular income patterns but who, it is found, are a satisfactory credit risk and would be capable of homeownership with proper counseling.

To make more low- and moderate-income housing available, section 103 of the bill would authorize the FHA to insure mortgages for families in the run-down neighborhoods of our cities without regard to economic soundness requirements and other limiting restrictions. FHA could insure such mortgages if it determines that the areas concerned are "reasonably viable," giving consideration to the need for providing adequate housing for families of low- and moderate-income in the area and that the properties are an acceptable risk in view of this consideration.

It is clear that these new programs will entail greater insurance risks than have been typical in past FHA programs. Recognizing this, the bill provides in section 104 for the establishment of a new "special risk insurance fund" out of which claims would be paid on mortgages insured under the three programs I have mentioned and also on the new section 236 program.

This section 236 rental and cooperative housing program is similar in approach to the new homeownership program found in section 101 of the bill. Instead of homeownership, it provides rental opportunity for low- and moderate-income families by providing interest subsidy assistance to rental projects for the benefit of such families. A nonprofit, cooperative, or limited dividend mortgagor would make payments on a market rate mortgage as though it bore interest at a rate of 1 percent with HUD making up the difference to the mortgagee. This would allow the mortgagor to establish a basic rental charge for each unit based on his cost of operating the project with a 1 percent mortgage. Each tenant or cooperative member would then be required to make a monthly payment equivalent to 20 percent of his monthly income except that this payment could not be less than the basic rental charge. As the tenant's income increases, so would his monthly payments until he is paying the full economic rent under the market rate mortgage. All rental charges collected by the mortgagor in excess of the basic rental charge would be returned to HUD for further use in the program.

Finally, but not least important, sections 202 and 203 of the bill include authorizations to extend the rent supplement and public housing programs through fiscal year 1971. These programs would benefit the very poorest families in our Nation whose incomes are so low that the new homeownership and rental assistance programs are not sufficient.

The only word to describe this legislative package is "comprehensive." Each of the legislative tools I have mentioned will be needed if the problem of providing decent housing for low and moderate Americans is to be attacked effectively on a broad front. I congratulate the Banking and Currency Committee on presenting this body with a coherent and well thought out bill that accurately reflects the size and scope of the housing problems this Nation faces and provides an effective response to those problems.

Mr. HATHAWAY. Mr. Chairman, I wish to focus my remarks on one of the innovative features of the Housing and Urban Development Act of 1968; namely, the interest rate assistance for mortgages to finance both sales and rental housing for low- and moderate-income families.

Heretofore, the formulas for housing assistance have involved either below-market interest rates for privately owned housing or annual contribution contracts for public projects. Because these aproaches are locked into the Federal budget for financing the total capital investment, they necessarily limit the volume of housing that can be produced for low- and moderate-income families. However, the proposed interest rate assistance plan breaks these shackles by creating mortgages which will be attractive to private investors and by limiting Federal support to the difference between market and low-interest levels.

Market interest rates on mortgages necessarily respond to conditions in the capital markets, which in turn are influenced by both monetary and fiscal policy and the state of the economy at large. Through the years, capital market conditions have often moved from ease to tightness and back again, causing the yield requirements on both bonds and mortgages to rise and fall. While these cycles in the cost of money are attributes of economic growth and stabilization efforts, they play havoc with housing production. And the impact has been most severe on low- and moderate-income families.

In titles I and II of this bill we have a plan that will shelter the financing of low and modern be income housing from the vagaries of the capital markets by recognizing the public responsibility for the price of fiscal and monetary policies. Also, the bill goes one step further and recognizes that by further reduction in interest charges, the monthly payments or rents can be reduced to levels which low and in moderate income families can realistically afford.

In comparison with other approaches to financing the volume of housing needed so desperately to supplant urban and rural slums, the budgetary cost of the interest assistance plan will be small—and it will be clearly measurable. This has not always been true in other assistance programs. The amount of assistance received by each family will be in proportion to its need, with increased house payments or rent as incomes rise.

The provision of good housing for a family living in a slum is often a kind of economic bootstrap, particularly for the young and upward mobile families. Pride, self-confidence, good health, and ambition stem from good housing. Higher incomes reduce the budget burden through smaller subsidies and at the same time increase the amount of tax collections, not alone from the aided families, but from the entire community as a result of the greater contribution made to national output.

We cannot make substantial headway in the attainment of our national housing goals until we unlock the private capital markets so that funds will flow into mortgages to finance housing for low and moderate income families. The key to this unlocking is interest rate assistance which makes the yield on such mortgages competitive with other investments.

By all past experience, the terms of titles I and II of this bill will usher in a new era in meeting the Nation's housing needs. I am confident that before another decade has past, our action on this bill will be viewed as having been a clear turning point and that we will have reached the goal, set by President Johnson in his housing messages of 1968, of eliminating substandard housing in this Nation.

Mr. BROWN of Michigan. Mr. Chairman, we have no further requests for time.

Mr. PATMAN. Mr. Chairman, we have no further requests for time.

Mr. Chairman, I ask that the Clerk read.

The CHAIRMAN. The Clerk will read.

The Clerk read as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Housing and Urban Development Act of 1968".

Mr. PATMAN. Mr. Chairman, under the rule, the bill is to be read by titles. I ask unanimous consent that the first title be considered as read, printed in the RECORD, and open to amendment at any point.

The CHAIRMAN. Is there objection to the request of the gentleman from Texas?

Mr. GROSS. Mr. Chairman, I object.

The CHAIRMAN. Objection is heard.

The Clerk will read.

The Clerk read as follows:

DECLARATION OF POLICY

SEC. 2. The Congress affirms the national goal, as set forth in section 2 of the Housing Act of 1949, of "a decent home and a suitable living environment for every American family".

The Congress finds that this goal has not been fully realized for many of the Nation's lower income families; that this is a matter of grave national concern; and that there exist in the public and private sectors of the economy the resources and capabilities necessary to the full realization of this goal.

Mr. GROSS. Mr. Chairman, I make the point of order that a quorum is not present.

The CHAIRMAN. The Chair will count.

Mr. PATMAN. Mr. Chairman, I move that the Committee do now rise.

The motion was agreed to.

Accordingly the Committee rose; and the Speaker having resumed the chair, Mr. PRICE of Illinois, Chairman of the Committee of the Whole House on the State of the Union, reported that that Committee, having had under consideration the bill (H.R. 17989) to assist in the provision of housing for low and moderate income families, and to extend and amend laws relating to housing and urban development, had come to no resolution thereon.

GENERAL LEAVE TO EXTEND

Mr. PATMAN. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to extend their remarks on the bill under consideration, H.R. 17989, and to include therein extraneous matter.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

There was no objection.

PERMISSION TO FILE CONFERENCE REPORT ON H.R. 9063, AMENDMENT TO INTERNATIONAL CLAIMS SETTLEMENT ACT OF 1949

Mr. ZABLOCKI. Mr. Speaker, I ask unanimous consent that the managers on the part of the House may have until midnight tonight to file a conference report on the bill, H.R. 9063.

The SPEAKER. Is there objection to the request of the gentleman from Wisconsin?

Mr. HALL. Mr. Speaker, reserving the right to object, what is the bill in reference to?

Mr. ZABLOCKI. It is the bill amending the International Claims Settlement Act of 1949 to provide for the timely determination of certain claims of American nationals.

I may advise the gentleman from Missouri that all the Senate amendments are germane.

Mr. HALL. And the conference has acted and the committee is in fact ready to file and the report has been agreed upon?

Mr. ZABLOCKI. Yes.

Mr. HALL. Mr. Speaker, I withdraw my reservation of objection.

The SPEAKER. Is there objection to the request of the gentleman from Wisconsin?

There was no objection.

CONFERENCE REPORT (H. REPT. NO. 1648)

The committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H.R. 9063) to amend the International Claims Settlement Act of 1949, as amended, to provide for the timely determination of certain claims of American nationals, and for other purposes, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the House recede from its disagreement to the amendments of the Senate numbered 1, 2, 3, 4, 5, 6, 7, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, and 20, and agree to the same.

Amendment numbered 8: That the House recede from its disagreement to the amendment of the Senate numbered 8, and agree to the same with an amendment as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

"(b) The Commission shall receive and determine, or redetermine, as the case may be, in accordance with applicable substantive law, including international law, the validity and amounts of claims owned by persons who were eligible to file claims under the first sentence of subsection (a) of this section on the date of enactment of this title, but failed to file such claims or, if they filed such claims, failed to file such claims within the limit of time required therefor: *Provided*, That no awards shall be made to persons who have received compensation in any amount pursuant to the treaty of peace with Italy, subsection (a) of this section, or section 202 of the War Claims Act of 1948, as amended."

And the Senate agree to the same.

EDNA F. KELLY,
WAYNE L. HAYS,
PETER H. B. FRELINGHUYSEN,
Managers on the Part of the House.

JOHN SPARKMAN,
(by FRANK J. LAUSCHE),
WAYNE MORSE,
(by FRANK J. LAUSCHE),
FRANK J. LAUSCHE,
BOURKE B. HICKENLOOPER,
CLIFFORD P. CASE.
Managers on the Part of the Senate.

STATEMENT

The managers on the part of the House at the conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H.R. 9063) to amend the International Claims Settlement Act of 1949, as amended, to provide for the timely determination of certain claims of American nationals, and for other purposes, submit the following statement in explanation of the effect of the action agreed upon by the conferees and recommended in the accompanying conference report:

The following Senate amendments made technical, clerical, clarifying, or conforming changes: 1, 2, 4, 5, 6, 7, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, and 20. With respect to these amendments the House recedes.

Amendment No. 3: This Senate amendment contained language intended to eliminate certain inequities in the present law by permitting the return to persecutees and non-enemy nationals of the proportionate share in the vested assets of corporations of Bulgaria, Hungary, and Rumania in which they hold interests. According to its legislative history, the amendment will affect four stockholders, or their heirs, of the Chinion Chemical & Pharmaceutical Works, Ltd., a Hungarian firm. The claimants dealt with here have never been American citizens but were persecuted by their own governments during World War II. Similar legislation was approved by the Senate on three occasions since 1960, and its enactment is supported by the Executive Branch.

The House recedes.

Amendment No. 8: This Senate amendment contained language proposing to reopen the Italian claims program to two groups of claimants: (1) persons who were American nationals at the time when their claims arose during World War II but who did not file timely claims under the original Italian claims program; and (2) persons who were not American nationals at the time of loss but became such nationals by August 9, 1955, and did not file claims under the Italian claims program.

The House recedes with an amendment substituting new language for the above-described provisions of the Senate amendment. The substitute language would authorize the reopening of the Italian claims program only to those persons who were American nationals at the time of loss and at the time of the enactment of title II of the International Claims Settlement Act of 1949, and who did not file timely claims under that program. The new language further provides that no awards shall be made to persons who have received compensation in any amount pursuant to the Treaty of Peace with Italy, subsection (a) of section 304 of the International Claims Settlement Act of 1949, as amended, or section 202 of the War Claims Act of 1948, as amended.

EDNA F. KELLY,
WAYNE L. HAYS,
PETER H. B. FRELINGHUYSEN,
Managers on the Part of the House.

(Mr. FEIGHAN asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

[Mr. FEIGHAN addressed the House. His remarks will appear hereafter in the Extensions of Remarks.]

THE BLACK UNITED FRONT STATEMENT

(Mr. SCHERLE asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. SCHERLE. Mr. Speaker, the Reverend Walter E. Fauntroy, District of Columbia City Council Vice Chairman and board member of the extremist Black United Front, has balanced on the tightrope between violence and law and order long enough. It is time for him to choose between his membership in the District of Columbia City Council and his membership in the Black United Front.

By his silence, Reverend Fauntroy has in effect endorsed the flammatory, irresponsible, and outrageous statement issued Friday by the front, which describes the slaying of a District policeman attempting to arrest a robbery suspect Tuesday night as "justifiable homicide."

The statement continued to state:

The methods of self-defense used by the family charged with the alleged slaying of the honky cop is justifiable homicide in the same sense that police are allowed to kill black people and call it justifiable homicide.

Reverend Fauntroy has refused to condemn the statement, he even refused to discuss it. The front adopted this statement unanimously. There was no disagreement.

Earlier this year, Reverend Fauntroy defended his membership in the front by saying that he was "unqualifiedly committed to the welfare of all the people of the District of Columbia and attendance at meetings of the Black United Front is part of that commitment."

His "commitment" as mediator, however, was of no apparent help to the law-abiding people of Washington when they

close to home markets. The minimum wage in Ciudad Juárez is $2.55 a day. In El Paso, Tex., across the Rio Grande, wages run about $7.50 a day—three times the Mexican rate.

Moving into the border area are U.S. firms such as the Kayser-Roth Corporation, maker of wearing apparel, Fairchild Camera and Instrument Corporation, Litton Industries, and the Raytheon Company.

Foreign ventures are no novelty to these firms. Some already have plants operating in Hong Kong, Taiwan and elsewhere in Asia. Now they're finding reasons to locate in their own back yard.

Actually, the wages along Mexico's border are higher than these same U.S. firms are paying most workers in Asia. But there are compensations in Mexico's location.

Mexico offers political tranquillity. Asia is becoming less attractive to American businessmen in the wake of some violence fomented by Communists.

The fact that Mexico is so close to the U.S. market—Tijuana is just 30 minutes by truck from San Diego—means a great saving in transportation costs. The short distances also make it easier for American executives to keep tabs on border operations.

Incentives in the law. Mexico, in addition, offers special incentives to foreign firms. Plants registered under the border-industrialization program are permitted to import, duty free, all raw materials, parts and machinery as long as the finished product is exported. The only duty an American manufacturer pays is on the value added to the finished goods as a result of Mexican labor.

So far, this labor is involved mainly with assembly, putting together components brought in from the U.S.

Most of these assembly plants are small, with 20 to 30 workers, mostly women. Capital investment is low, but it is rising as the border program appears to gain momentum.

Probably the worst impediment to this momentum is the opposition of organized labor in the U.S.

Union leaders see the American businessman's eagerness to move part of his operations to the border as simply a scheme to get around relatively high U.S. labor costs.

One such labor leader, James D. Givens, secretary general of the El Paso Central Labor Union (AFL–CIO) puts it this way:

"The program is just another dodge by American employers to continue their source of cheap labor."

At this point the operations are quite small, and a visitor often has to search for any sign of the new industries. The U.S. border plants often are found in unmarked sheds at the ends of dirt roads.

Mexican labor leaders are delighted with the movement. Mexico needs all the industry it can get in this region, where unemployment is the No. 1 problem.

The Mexican population is exploding at the rate of 3.6 per cent a year—highest of any major country in Latin America—and the cities along the U.S. border are especially overcrowded. For example:

Tijuana had 20,000 residents in 1940; now it has 366,000. Mexicali had 150,000 in 1950; now it has 367,000. Ciudad Juárez grew sevenfold in the last 30 years and now has about 442,000 inhabitants.

Still not enough. Even the rapid growth of the new industries has failed to open up enough jobs for these masses of people.

Right now, unemployment is estimated to be far higher along the Mexican side of the border than elsewhere in Mexico.

A large number of the jobless are those *braceros*, or day laborers, no longer permitted to cross the border to work on farms and orchards in the U.S.

Joining the *braceros* in the search for work are hundreds of peasants from the Mexican interior who still arrive daily at the border. The prospect of jobs enticed them. Most often, there are no jobs.

Mr. Speaker, at this point, I would comment on the strange logic of our Nation's free trade and foreign policy experts. We permit our industries to move into Mexico to give jobs to Mexican braceros and others who are refused jobs in the United States by congressional action. Why did Congress refuse to allow the migration of braceros into our Border States? Simply because we could not afford the loss of jobs.

Congress might as well have stayed at home. Our Government completely negated congressional action by letting the jobs migrate across the border, making it possible for the Mexican to save the cost of coming to the United States. We also lost the economic impact of the production facilities, loss of taxes, revenue to utilities, and revenue to our merchants as well as professional and other services necessary to service a production facility and its workers.

Our Government's answer, which follows, is even more damaging to our economy than the original decision to allow the migration of our jobs across the border.

The U.S. Government proposes relief for the workers, out of the Treasury, public facilities loans to the depreciated and injured communities, grants and loans to the educational system, and the final insult—job training programs for workers for jobs that will also be moved across the border if and when they are created.

How did this all start? Why did it start? the following analysis gives the answer. Mexicans needed jobs and we decided to give the jobs by allowing our industries to dodge the wage-and-hour laws passed by Congress. At the same time they can bring back their products to the United States to compete with American based producers complying with our laws to their disadvantage, with our higher cost labor based upon government mandated wage-and-hour standards.

We forbid the transportation of goods across State lines unless the fair labor standards laws are complied with. However, no restrictions are imposed on goods produced across the river and shipped into the United States.

Mr. Speaker, I shall introduce legislation forbidding the transportation of Pronef produced goods from being shipped from one State to another under the provisions of existing law.

The Mexican Government is looking after its own interest and so are the American runaway industries. American labor, American communities, and the American Treasury is paying the price. Maybe we can afford it. Personally, I do not believe we can, especially after hearing the testimony before our own committee recently by Mexican Americans from the U.S. side of the Rio Grande who were part of the Poor People's March to Washington.

The U.S. News & World Report story gives some light on the beginning of this program and certainly points out the future:

To help relieve this unemployment, Mexico in May, 1965, announced its program to attract foreign industry to a 12-mile strip along the border. This is one of many steps Mexico has taken to develop industry in the region.

Many U.S. food processors and other companies have moved into the border area, but are not licensed under the 1965 plan. That drive just now seems to be picking up impetus.

"Even though the program is only just beginning," says Luis Bravo Aguilera, director general of industries for the Ministry of Industry and Commerce, "we consider it successful." He adds:

"Other companies, not only in the U.S., are waiting to see how the pioneer industries make out. We are convinced that the experience of the pioneers will have the effect of bringing new industries into the program."

You will note that the Mexican birth rate is causing the border cities to explode with the influx of both children and adults from the interior. This of course will get worse and we can never hope to provide the jobs to meet the needs of the Mexican cities along the border. Three border cities alone. Tiajuana, Mexicali, and Ciudad Juarez, have grown from 235,000 population to over 1,175,000 persons.

How many American plants must move, how many American jobs will be exported, how many millions of dollars will it cost U.S. taxpayers to keep our people fed, our communities alive, and our industries competitive?

The Mexican program called Pronef has proven beyond a doubt that our double talk to our poor is just that—double-talk. We tell our poor they cannot get jobs because they are unskilled, unprepared, uneducated, and yet, our industries take on the Mexican untrained workers without too much crying for Federal funds to cover their training costs.

To add insult to injury, we find that the Mexican Government forbids the sale of any of the products produced in the restricted Pronef territories within the Mexican borders. How can anybody in his right mind permit such a condition to exist?

Summed up, this is the program we are engaged in with the Mexican Government. We send our jobs and our industries across the river into Mexico. We give our industries a tax and low-labor-cost haven. We then accept the products back into this country to compete with our higher cost, higher taxed industries, and Mexico gets our jobs, gets our wages, gets our industry, and gets our taxes but refuses the products of their own labor, thereby protecting its own domestic industries against competition.

How can we win? And how can Mexico lose.

PENSION GRAB

(Mr. GROSS asked and was given permission to extend his remarks at this point in the RECORD.)

Mr. GROSS. Mr. Speaker, I regret to say that the Members of this body shortly will be called on to consider H.R. 16903, legislation that pads—and pads heavily—retirement benefits for Members of Congress.

Proponents of the bill are hoping fervently that it will slip by with as little notice or fuss as possible.

In order to shed light on this subject so that the people of this country have a chance to learn about this outrageous business, I am inserting in the RECORD my remarks before the Rules Committee during its consideration of the bill:

STATEMENT BY MR. GROSS

Mr. Chairman, it is difficult to describe the Congressional arrogance and affront to the American taxpayers that is represented by the Congressional retirement provisions of the bill, H.R. 16903, which your Committee has under consideration.

By any objective standards it should be denied a favorable rule. Coming as it does late in the final session of the 90th Congress, with its proponents apparently hoping that in the drive toward adjournment its implications will be overlooked, we are supposed to turn our heads while it passes silently with no record votes. Yet, every Member knows that this proposal, granting unconscionable increases in retirement benefits for Members of Congress, is inappropriate at this time.

There are so many reasons why the bill, H.R. 16903, should be rejected—at least those provisions related to Congressional retirement benefits—that it is difficult to know where to begin.

In the first place the bill is being brought to you from a Committee which has no experience or background with the Civil Service Retirement Fund of which the Congressional Retirement System is a part.

Under the Rules of the House, and based upon the Legislative Reorganization Act of 1946, legislation dealing with the Civil Service Retirement System should emanate from the Post Office and Civil Service Committee. The Post Office and Civil Service Committee has not yielded jurisdiction of this legislation to the House Committee on Foreign Affairs. While Chairman Dulski and Congressman Daniels, Chairman of the Retirement, Insurance and Health Benefits Subcommittee, did advise the Foreign Affairs Committee that they had no objection to the Foreign Affairs Committee considering amendments to the Civil Service retirement laws, the matter was not directed to the attention of the full Committee on Post Office and Civil Service, nor did our Committee of 26 members have an opportunity to vote on this matter.

Congressional retirement legislation should be referred to the Post Office and Civil Service Committee, and the approval of a bypassing move by two Members of the Committee is not sufficient to change the Rules of the House.

Furthermore, since the enactment of the Congressional Retirement laws, every amendment to those laws has been considered by and approved by the Post Office and Civil Service Committees of the Congress. It is therefore difficult to understand why, and so suddenly, Congressional procedure is being violated with respect to this particular legislation.

Another objection to this legislation is the precedent which it creates, from the standpoint of orderly Congressional procedure, as well as from the standpoint of enacting loose provisions to the Congressional retirement laws which may require equal treatment for all other Federal employees covered by the Civil Service Retirement Act.

If you approve the precedent established by H.R. 16903, are you saying: "In the future all amendments to the Civil Service Retirement Act related to Congressional retirement shall emanate from the Foreign Affairs Committee?"

If you approve the liberal provisions of this bill, are you saying: "The Post Office and Civil Service Committee shall, in the future, adopt similar provisions for all other participants in the Civil Service Retirement System?"

In my judgment, Mr. Chairman, and members of the Rules Committee, this is a serious matter which deserves more than passing consideration.

As a matter of fact, an almost identical situation arose in the Senate on June 4, of this year, when the Senate was considering S. 1316, a bill to amend the Bankruptcy Act and the civil service retirement law with respect to the tenure and retirement benefits of referees in bankruptcy.

I refer Members of the Rules Committee to pages S. 6791, S. 6792, and S. 6797 through S. 6802 of the Congressional Record dated June 4.

The bill, S. 1316, was reported by the Senate Judiciary Committee because a portion of it sought to amend the Bankruptcy Act, while the rest of the bill amended the Civil Service Retirement Act. Objection was raised on the Floor of the Senate by a number of Members on the basis that, while the Bankruptcy Act came under the jurisdiction of the Judiciary Committee, certainly the amendments to the Civil Service Retirement Act did not come under the jurisdiction of the Judiciary Committee.

Senator Carlson offered an amendment striking out language in S. 1316 relating to amendments to the Retirement Act. After some debate, Mr. Carlson's amendment was agreed to, by a Roll Call vote of 42 to 27, on the grounds that the jurisdiction of the Judiciary Committee did not extend to amendments of the Civil Service Retirement Act and that such legislation properly belonged under the jurisdiction of the Post Office and Civil Service Committee.

Those who opposed striking the language, offered the same arguments for the bill that are being made here today by the proponents of this legislation; namely, that the impact on the retirement fund is minimal and that only several hundred Federal officials are involved. But, the other Body recognized the necessity of maintaining jurisdiction over the Civil Service Retirement Act and Fund by the Committee which knows it best; namely, the Post Office and Civil Service Committee.

Another reason this legislation should be refused a rule is that the Congressional retirement provisions of H.R. 16903 are not in the public interest. In the past few years there has been some effort exerted on the part of the Government to halt price increases and to hold down costs of spiraling wages and fringe benefits in order to prevent inflation. By providing excessive retirement benefits for Members of Congress we do not act in the public interest toward this objective. In fact, we say to management and labor throughout the Nation: "Come, follow us and grant higher fringe benefits to all of your top officials." This in turn creates pressures on labor unions to seek similar benefits. And Federal employee organizations will seek retirement benefits similar to those which are now proposed for Members of Congress.

Despite the attempts in the bill to keep the costs at the present levels, these liberal provisions for retiring Members of Congress will increase the deficit of the Retirement Fund.

Mr. Chairman, I say this will be creating a poor example for this Country. I say a veil cannot be pulled over this action in the hope the American people will not notice what is being done.

In view of the recent votes by Congress to cut $6 billion from expenditures and additional reductions in obligational authority, and in view of the fact that only yesterday the House approved a Health, Education, and Welfare appropriation bill of more than $3 billion above the spending for the same general purposes in this fiscal year, an increase in benefits to members of Congress cannot be justified.

It will readily be recalled, for a number of members of this Committee voted for it, that there was an increase yesterday of $100 million for the so-called underprivileged and poverty stricken. Under these circumstances, how many members of the House want to publicly make a case for the urgency and necessity of immediate enactment of H.R. 16903, giving themselves special benefits?

The merits of the Congressional retirement provisions of this bill are nonexistent. It is proposed to increase retirement benefits for Members of Congress by 33⅓ per cent, to increase survivorship benefits by nearly 20 per cent, and to compute a Member's annuity based upon his final month's pay rather than on his highest 5-year average pay.

While there is a token 2½ per cent increase in a Member's retirement deductions, the Civil Service Commission estimates that the cost of the foregoing provisions will be about $14 million.

It is ironical that for more than a year a subcommittee of the Post Office and Civil Service Committee has been engaged in a study of how to cope with the present $52 billion retirement fund deficit. Most proposals to liberalize civil service retirement benefits have been sidetracked until that problem is solved.

Yet, the Foreign Affairs Committee, by its action in approving H.R. 16903, seems unconcerned about the ever-increasing retirement fund deficit.

It is reasonable to inquire how the Post Office and Civil Service Committee can be expected to act effectively and equitably in the future with respect to any retirement legislation in the face of this proposal by the Foreign Affairs Committee.

Therefore, Mr. Chairman, this bill must be indicted on six counts.

The Rules of the House have been violated with respect to the jurisdiction of the appropriate Committee for its consideration.

It lacks merit.

It creates bad precedents.

It is not in the public interest.

Its presentation to the Rules Committee is untimely.

It is too costly and it is contemptuous of the taxpayers.

Under these conditions I urge the Committee on Rules to refuse a favorable rule with respect to this bill.

As I have stated before, in my opinion it is as much the responsibility of the Committee on Rules to withhold approval of poor legislation as it is to grant a favorable rule on desirable legislation.

And, Mr. Chairman, H.R. 16903 is an example of poor legislation.

HOUSING: 10-YEAR GOAL

(Mr. BARRETT asked and was given permission to extend his remarks at this point in the RECORD and to include an editorial from the Washington Post.)

Mr. BARRETT. Mr. Speaker, under leave to extend my remarks in the RECORD, I would like to include the following article from the Washington Post for July 8, 1968, entitled "Housing: 10-Year Goal":

HOUSING: 10-YEAR GOAL

The Administration's mamouth $5-billion omnibus housing bill, surely one of the most important pieces of social legislation to be considered by the 90th Congress, reaches its final and critical stage in the next two days on the floor of the House of Representatives. Designed to create housing in all forms at a rate ten times faster than has ever been attempted in the past, the bill is the first phase of what President Johnson promised in February as a ten-year effort to eliminate all substandard housing in the United States. The President, Secretary Weaver of Housing and Urban Development and others have said that if this country is to accommodate the housing needs of its growing population, construction and rehabilitation must reach two million new living units per year. According to the Census Bureau, only 1.1 mil-

lion such units were finished in 1966; 1.3 million in 1967. This bill, if it is adopted as it was passed by the Senate in May and by the House Banking and Currency Committee last month, will signal the beginning of the massive upgrading in standards of living so badly needed in our cities and countryside.

The bill's major home-ownership and rent-supplement programs call for a new and unique financing arrangement by which the government would subsidize interest payments rather than entire mortgages. Those benefitting from the programs would pay, on a sliding scale basis, a certain percentage of their income for housing. Thus, as a low-income family's earnings increase, their share in the Federal program increases proportionately. By providing Federal subsidy at established market interest rates instead of the below-market rates of the present system, the programs should entice private enterprise to participate to a far more significant degree than under current mortgage operations.

Amendments to the housing bill are in the offing, however, which could effectively cripple the impact of this important legislation. One move brewing among House conservatives is to eliminate the rental program altogether. Another is to narrow the income levels to which the bill would apply. Both attempts must be defeated, and defeated soundly. To remove the rent supplement program would be to cut the entire housing program in half, in all probability doubling the time it will take to catch up with the country's housing needs. Equally dangerous is the plot to tamper with the eligibility scale, for to do so would effect the whole scale.

The Housing Bill is, as the Administration calls it, omnibus. Tucked away in the miscellany in the last of its fourteen titles is the billion dollar model cities program, critical if the original concept of that program is to be carried out. Seventy-five American cities have already been granted Federal planning funds for massive rehabilitation, and another 75 will qualify before the billion dollars is due to be spent in fiscal 1970.

The bill also encompasses comprehensive programs for riot re-insurance, for flood insurance, for urban mass transport, for urban planning activities, for mortgage insurance on non-profit hospitals, and for a private consortium to bring new involvement in the housing market from areas of private enterprise not traditionally involved. Had each of these items been introduced as individual bills, each would stand on its own as major legislation. Together, they represent a monumental undertaking.

So far, the omnibus bill has survived its journey through the legislative halls virtually intact. Now, however, it faces new and real dangers. Attempts will be made to cut down on its authorizations. Those attempts will be dealt with one way or another today, with a final vote from the full House Tuesday.

If the House follows the example of the Senate and its own committee, there will be little beyond technicalities to settle in a joint conference committee before the bill is sent to the President. If, on the other hand, the House deals this bill a mortal blow, the work which should begin in the Nation now will be postponed indefinitely.

INDEPENDENCE DAY GREETINGS TO MALAWI

(Mr. O'HARA of Illinois asked and was given permission to extend his remarks at this point in the RECORD and to include extraneous matter.)

Mr. O'HARA of Illinois. Mr. Speaker, for myself and as chairman of the African Subcommittee of the Committee on Foreign Affairs, I extend warm congratulations to President H. Kamuzu Banda and the people of Malawi on the occasion of the fourth anniversary of the Independence of Malawi and the second anniversary of the declaration of a republic.

Even before the independence of Malawi on July 6, 1964, the United States displayed its interest in that country with a small assistance program. Relations have grown closer since independence. President Banda, who received much of his medical and other education in the United States, has paid a number of visits to this country since assuming leadership of Malawi.

I wish to take advantage of this occasion to add a personal word of greeting to Dr. Banda, whose deep commitment to the steady advancement of his people is so well known to me personally from our several meetings and discussions in past years.

I hold Dr. Banda in the endearing folds of a long and a warm friendship and at the University of Chicago, which is in the district I have the honor to represent, he is justly placed among the most distinguished alumni of that great university and is fondly remembered by faculty members and fellow students of his college years.

(Mr. O'HARA of Illinois asked and was given permission to extend his remarks at this point in the RECORD and to include extraneous matter.)

[Mr. O'HARA of Illinois' remarks will appear hereafter in the Extensions of Remarks.]

(Mr. O'HARA of Illinois asked and was given permission to extend his remarks at this point in the RECORD and to include extraneous matter.)

[Mr. O'HARA of Illinois' remarks will appear hereafter in the Extensions of Remarks.]

NATIONAL COUNCIL FOR A RESPONSIBLE FIREARMS POLICY PRESENTS 1 MILLION SIGNATURES FOR STRICT GUN CONTROL LEGISLATION TO SPEAKER JOHN W. McCORMACK

(Mr. RYAN asked and was given permission to extend his remarks at this point in the RECORD and to include extraneous matter.)

Mr. RYAN. Mr. Speaker, this afternoon James V. Bennett, former Director of the U.S. Bureau of Prisons and currently president of the National Council for a Responsible Firearms Policy, presented to the Speaker of the House over 1 million signatures on petitions calling for controls on the sale, possession, and use of all firearms.

This petition campaign represents one of the most spontaneous, grassroots waves of national sentiment seen in many years. It is the result of a national feeling of revulsion and grief at the murders of our most inspired leaders. It is a demand only for the safeguards on lethal weapons common to other civilized nations.

This is a people's lobby. It speaks for no economic interest; it is not subsidized by the Federal Government. The petition calls simply for registration of the sale and transfer of firearms, licensing of possessors of firearms, and a ban on mail-order sales, sales to minors, and out-of-State purchases. This is essentially the Gun Crime Control Prevention Act which Senator TYDINGS introduced in the Senate and which I introduced in the House—H.R. 17879.

Later this week the House will debate one part of this proposal—H.R. 17735—subject to the granting of a rule. That measure provides for a ban on mail-order sales and sales to juveniles of rifles and other long guns. We must speedily enact this legislation, and the other parts of the Tydings-Ryan bill, which now carries the endorsement of the administration.

The National Council for a Responsible Firearms Policy deserves the gratitude of the Nation for coordinating this citizen campaign for effective gun controls. I include the statement made today by James V. Bennett to the Honorable JOHN W. McCORMACK, Speaker of the U.S. House of Representatives, as well as the petition which has been signed by over 1 million people.

STATEMENT OF JAMES V. BENNETT, PRESIDENT OF THE NATIONAL COUNCIL FOR A RESPONSIBLE FIREARMS POLICY, TO THE HONORABLE JOHN W. McCORMACK, SPEAKER OF THE U.S. HOUSE OF REPRESENTATIVES, JULY 8, 1968

I am James V. Bennett, President of the National Council for a Responsible Firearms Policy. In the year and a half since it was organized, the Council has been working vigorously for firearms policies that adequately serve the total public interest. On behalf of the Council, I today respectfully present to the Congress of the United States well over one million signatures on petitions circulated by members of our organization and by many others cooperating with us in support of strong and effective gun control measures.

The petitions come from virtually every state in the Union. Petitions were collected in various ways. Some secured signatures by placing them in elevators in their apartment buildings. Others set up booths in shopping centers. Some canvassed their neighborhoods house to house. Many churches made them available after worship services.

These are the signatures of deeply concerned Americans, dedicated to their country's best interests. They are deeply concerned over the dangerously permissive proliferation of guns into the hands of persons who are not technically or otherwise qualified to use them responsibly. The people who have signed these petitions want firearms policies the protect the overall public interest. They believe these policies should be strict, reasonable, and effective, embodying three basic principles:

1. the prohibition of interstate shipments of all kinds of guns except among Federally licensed dealers;

2. registration of all guns for better law enforcement; and

3. the licensing of all gun acquisitions, in accordance with basic Federal standards.

A huge majority of the public-at-large wants such controls. It wants them *now*. It wants essential Federal legislation along these lines before this Congress adjourns for the summer. A solid majority of responsible gun owners agree basically with this position. The massive expression of public

opinion reflected in these petitions is tangible evidence of what reliable polls have shown over and over again—that over 80 percent of the American people, including nearly two-thirds of the legitimate gun owners, want strict gun control laws in the public interest.

The petitions are still coming to our office. Some are being sent directly to members of Congress. And a huge wave of supporting letters has not been far behind.

I want to emphasize that these signed petitions have all been secured in the less than a month since we organized this nationwide campaign. The overall outpouring of public sentiment on this issue may well turn out to the largest demonstration of public feeling in the shortest time on any issue in the history of our country.

I also want to emphasize that this massive demonstration is not a panic response to a widely and deeply felt national tragedy. It is the latest stage of a slowly growing national awareness of the rapidly rising number of murders and other crimes committed with firearms. Many of us associated with the National Council have devoted years of effort to awakening the American people to this growing menace.

Organizations that participated in our petition campaign include, for example: the National Council of Churches, the Episcopal Church, the United Methodist Church, the National Women's League of the United Synagogue of America, the Society for the Advancement of Judaism, the National Council of Catholic Men, the Transportation Workers Union, the United Steel Workers Union, the American Advertising Federation, the Kennedy Action Corps, the United World Federalists. Countless individuals from Massachusetts to California have worked very hard in this effort. The signatures cover the broadest imaginable spectrum of our population. Some random examples are the staff of a major national news magazine, the crew of a ship in New York harbor, many of the residents of Resurrection City, and the whole cast of the Broadway play "You Know I Can't hear You When the Water's Running."

I respectfully present to the Congress today a mountain of petition signatures to be added to the mounains of evidence the Congress has been accumulating for many years on a problem whose growing size has shocked and shamed the nation.

We respectfully urge this Congress to lead the way in enacting essential Federal legislation to help bring this escalating problem under the kind of responsible control that meets the needs of our country in the closing decades of the 20th century.

A PETITION FOR GUN CONTROL NOW

To: The President, Members of Congress, and state government officials.

We, the undersigned, favor immediate action to control the sale, possession and use of handguns, rifles and shotguns.

Such federal and state legislation should include the following:

1. Regarding rifles and shotguns, there should be a ban on mail-order sales to individuals, on sales to those under 18, and on out-of-state purchases.

2. All firearms possessed, sold, or transferred should be registered at the state and/or national level.

3. States should require that gun purchases be made only through permits calling for adequate identification and a waiting period for a police check.

This we urge in the name of President John F. Kennedy, Senator Robert F. Kennedy, Dr. Martin Luther King, the 6500 others killed annually, and in the name of a more civilized and less violent United States society.

(Name, street address, city, state)

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____
7. _____
9. _____
8. _____
10. _____

Please return this petition immediately to the National Council for a Responsible Firearms Policy, 100 Maryland Avenue, N.E., Washington, D.C. 20002. As soon as sufficient petitions are on hand, they will be presented in a public ceremony to the appropriate officials.

JAMES V. BENNETT,
President, National Council for a Responsible Firearms Policy (and former Director of U.S. Bureau of Prisons).

"The right to life"

ELECTRONIC SURVEILLANCE VERSUS ORGANIZED CRIME

(Mr. POFF asked and was given permission to extend his remarks at this point in the RECORD and to include extraneous matter.)

Mr. POFF. Mr. Speaker, in 1965, the Justice Department began a sharp deemphasis of its efforts to combat organized crime. The results of that deemphasis are reflected now in statistics recently released by the Justice Department for fiscal year 1967.

According to figures furnished previously to a House Committee by Assistant Attorney General Fred Vinson, organized crime convictions by the Federal Government reached an all-time high of 594 in 1964. There was a sharp drop to 410 in 1965 followed by a slight rise to 477 in 1966.

Now, according to the report of the Attorney General for 1967, convictions last year dropped further to 400, 19 percent less than 1966 and 32 percent lower than the peak year of 1964.

We believe that racketeer convictions are an accurate measure of the success of the Justice Department's program against organized crime. Attorney General Ramsey Clark has already stressed this success with the observation that more racketeers "are being hurt in auto accidents than by the Government" and now the figures bear him out.

Thus, the Johnson administration has admitted and has demonstrated substantially decreasing effectiveness in fighting organized crime. The President has said that he will not use the electronic surveillance provisions of the omnibus crime bill against organized crime. I find this "de facto" veto all the more bewildering and distressing in light of this new evidence that the Justice Department is losing ground against the racketeers. I urge the President to reconsider this very unwise decision.

LEAVE OF ABSENCE

By unanimous consent, leave of absence was granted to:

Mr. MCMILLAN (at the request of Mr. ASHMORE), for an indefinite period, on account of death in the family.

Mr. RESNICK (at the request of Mr. BOGGS), from today through the week of July 15, on account of illness.

Mr. CEDERBERG (at the request of Mr. GERALD R. FORD), for July 9 and 10, on account of official business.

Mr. SATTERFIELD (at the request of Mr. MARSH), for today and tomorrow, on account of illness in the family.

Mr. WOLFF (at the request of Mr. GILBERT) for Monday, July 8, 1968, on account of official business.

SPECIAL ORDERS GRANTED

By unanimous consent, permission to address the House, following the legislative program and any special orders heretofore entered, was granted to:

Mr. FINDLEY (at the request of Mr. MYERS), for 60 minutes, on July 10; and to revise and extend his remarks and include extraneous matter.

EXTENSIONS OF REMARKS

By unanimous consent, permission to extend remarks was granted to:

Mr. PERKINS and to include extraneous matter in three instances.

(The following Members (at the request of Mr. MYERS) and to include extraneous matter:)

Mr. QUILLEN in four instances.
Mr. FULTON of Pennsylvania in five instances.
Mr. GUBSER.
Mr. KEITH.
Mr. SCHERLE.
Mr. RUMSFELD in two instances.
Mr. CONTE.
Mr. SNYDER in two instances.
Mr. ZWACH.
Mr. WYMAN in two instances.
Mr. HARRISON.
Mr. ASHBROOK in two instances.
Mr. BERRY.
Mrs. MAY.
Mr. GURNEY in two instances.
Mr. SCHNEEBELI.
Mr. DEVINE.
Mr. RUPPE.
Mr. DERWINSKI in three instances.
Mr. MILLER of Ohio.

(The following Members (at the request of Mr. PATTEN) and to include extraneous matter:)

Mr. MATSUNAGA in two instances.
Mr. HANNA.
Mr. BOLLING.
Mr. CORMAN.
Mr. OTTINGER in two instances.
Mr. PODELL.
Mr. REUSS in six instances.
Mr. WRIGHT in two instances.
Mr. DULSKI.
Mr. GONZALEZ in three instances.
Mrs. GREEN of Oregon in six instances.
Mr. BRASCO.
Mr. TEAGUE of Texas in two instances.
Mr. MOORHEAD.
Mr. ROSENTHAL in two instances.
Mr. EVINS of Tennessee in two instances.
Mr. ULLMAN in two instances.
Mr. SHIPLEY in two instances.
Mr. BOGGS.
Mr. HÉBERT.
Mr. FASCELL.
Mr. TIERNAN.

DIGEST of Congressional Proceedings

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

UNITED STATES DEPARTMENT OF AGRICULTURE
WASHINGTON, D. C. 20250
OFFICIAL BUSINESS

POSTAGE AND FEES PAID
U. S. DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE
(FOR INFORMATION ONLY;
NOT TO BE QUOTED OR CITED)

Issued July 10, 1968
For actions of July 9, 1968
90th-2nd; No. 117

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HIGHLIGHTS: Senate committee reported grain inspection bill. Senate debated question of committee jurisdiction on school lunch bill. House debated housing bill. House subcommittee tabled egg marketing bill. House subcommittee approved wilderness bills. House committee voted to report bill to implement International Coffee Agreement.

HOUSE

1. HOUSING. Continued debate on H. R. 17989, to assist in the provision of housing for low- and moderate-income families, and to extend and amend laws relating to housing and urban development. pp. H6118-168

2. MILITARY CONSTRUCTION. Received the conference report on H. R. 16703, the military construction authorization bill which includes CCC debt payment for prior years military family housing overseas (H. Rept. 1658). pp. H6168-79

3. WILDERNESS. A subcommittee of the Interior and Insular Affairs Committee approved for full committee action H. R. 16771, amended, to designate certain lands in the Great Swamp National Wildlife Refuge, N. J., as wilderness; and H. R. 13512, to designate the Mount Jefferson Wilderness, Willamette, Deschutes, and Mount Hood National Forest, Oreg. p. D651

4. TRADE FAIRS. A subcommittee of the Merchant Marine and Fisheries Committee approved for full committee action H. R. 18340, to provide for the continuation of authority to develop American flag carriers and promote the foreign commerce of the United States through the use of mobile trade fairs. p. D651

5. COFFEE. The Ways and Means Committee voted to report (but did not actually report) H. R. 18299, amended, to carry out the obligations of the U. S. under the International Coffee Agreement, 1968 (p. D652). The committee was given until Thurs., midnight, July 11, to file a report (pp. H6117-18).

6. EGGS. A subcommittee of the Agriculture Committee tabled H. R. 15537, the table egg marketing bill. p. D651

7. FEDERAL AID. Rep. Roth emphasized the "immediate need" for legislation to create a catalog of Federal assistance programs and inserted supporting material. pp. H6184-5

N.Y.

8. HOLIDAYS. Rep. Rooney/expressed gratification that Columbus Day was included in the "weekend holiday" legislation. pp. H6185-6

9. TAXATION; EXPENDITURES. Rep. Hall criticized passage of the Revenue-Expenditure Control Act and inserted an article from Newsweek magazine stating "why this tax bill is the 'wrong medicine' for what ails our country." pp. H6186-87

SENATE

10. GRAINS. The Agriculture and Forestry Committee reported with amendments H. R. 15794, to provide for U. S. standards and a national inspection system for grain (S. Rept. 1351). p. S8296

11. APPROPRIATIONS. Passed with amendments H. R. 18038, the legislative branch appropriation bill, 1969 (pp. S8316-23). Conferees were appointed (p. S8323). House conferees have not been appointed.

The Appropriations Committee voted to report (but did not actually report) with amendments H. R. 17023, independent offices and HUD appropriation bill, 1969. p. D649

A subcommittee of the Appropriations Committee approved for full committee consideration "those sections of the public works appropriations (H. R. 17903) which provide funds for the Atomic Energy Commission and the Tennessee Valley Authority." p. D649

12. TRADE. Began consideration of S. 3065, to amend the Federal Trade Commission Act, as amended, by providing for temporary injunctions or restraining orders for certain violations of that act. p. S8333

House of Representatives

TUESDAY, JULY 9, 1968

The House met at 12 o'clock noon.

The Chaplain, Rev. Edward G. Latch, D.D., offered the following prayer:

I will lift up mine eyes unto the hills, from whence cometh my help? My help cometh from the Lord, who made heaven and earth.—Psalm 121: 1, 2.

Eternal Father, who hast made us for Thyself so that our hearts are restless until they find rest in Thee, we, Thy children, come to Thee for help which Thou alone canst give.

Be Thou our fortress in the hour of temptation and give us the power to master ourselves. Be Thou our light when the way is dark and we do not know which way to turn. Be Thou our strength when the flesh is weak and the spirit is depressed. Be Thou our courage in the time of trouble and help us to walk in right paths. Be Thou our hope when our own hopes fail and but for Thee we would give way to despair.

Be Thou our help at all times and in all places and enable us to take from Thy hands the gifts of courage and strength and peace we need for this day in which we live.

Bless Thou our President, our Speaker, every Member of this body, and all who work with them. By Thy spirit lead us all into a greater allegiance to Thy purposes for mankind and may we become increasingly walking centers of good will in our world.

In the Master's name we pray. Amen.

THE JOURNAL

The Journal of the proceedings of yesterday was read and approved.

MESSAGE FROM THE SENATE

A message from the Senate by Mr. Arrington, one of its clerks, the message also announced that the Senate had passed with amendments in which the concurrence of the House is requested, a bill of the House of the following title:

H.R. 12120. An act to assist courts, correctional systems, and community agencies to prevent, treat, and control juvenile delinquency; to support research and training efforts in the prevention, treatment, and control of juvenile delinquency; and for other purposes.

The message also announced that the Senate agrees to the report of the committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H.R. 9063) entitled "An act to amend the International Claims Settlement Act of 1949, as amended, to provide for the timely determination of certain claims of American nationals, and for other purposes."

The message also announced that the Senate had passed bills of the following titles, in which the concurrence of the House is requested:

S. 2159. An act to establish the Fort Point National Historic Site in San Francisco, Calif., and for other purposes;

S. 3456. An act to provide that the prosecution of the offenses of disorderly conduct and lewd, indecent, or obscene acts shall be conducted in the name of and for the benefit of the District of Columbia; and

S. 3671. An act to provide for the striking of medals in commemoration of the 200th anniversary of the founding of Dartmouth College.

EFFECTIVE CONTROL OF VIOLENT CRIME

(Mr. WRIGHT asked and was given permission to address the House for 1 minute and to revise and extend his remarks and include extraneous matter.)

Mr. WRIGHT. Mr. Speaker, today I have introduced a companion bill to the measure introduced earlier by our colleague, the gentleman from Texas [Mr. CASEY].

The bill would stipulate a mandatory prison sentence for anyone convicted of using a deadly firearm in the commission of robbery, assault, murder, rape, burglary, kidnaping, or homicide other than involuntary manslaughter.

Each of these is a felonious offense in all of our States. The bill which the gentleman from Texas [Mr. CASEY] and I have introduced would superimpose upon conviction a Federal offense for the use of deadly firearms in committing any such felony.

For the first such offense, there would be a mandatory sentence of not less than 10 years. For any subsequent offense committed by the same person, the sentence would be not less than 25 years imprisonment.

It seems clear to me that the only really effective way to strike a hard blow at the appalling growth in crime and violence is to confront the offender with sure and stringent punishment.

Each of the other gun control measures which have been recommended to Congress, while valuable in a limited way, contains certain deficiencies when considered as a deterrent against the hardened or career criminal.

Licensing of gun dealers and prohibiting the sale of firearms to minors and through the mails, while undoubtedly meritorious, will not actually prevent deadly weapons from coming into the hands of those seriously bent upon crime.

The same can be said for the very worthwhile suggestion of a waiting period for the purchase of such weapons. While this may deter a first offender or an impulse buyer, it cannot really prevent the acquisition of a gun by a person seriously intent on crime.

A registration law undoubtedly would be respected and adhered to by the decent and law abiding. But I fear that it would be flaunted and evaded by those whose activities we need most desperately to curb. A person who is willing to assume the risk of punishment for murder or armed robbery most likely will not blanch at evading registration.

PERMISSION FOR SUBCOMMITTEE ON TRANSPORTATION AND AERONAUTICS, COMMITEE ON INTERSTATE AND FOREIGN COMMERCE TO SIT DURING GENERAL DEBATE TODAY

Mr. ALBERT. Mr. Speaker, I ask unanimous consent that the Subcommittee on Transportation and Aeronautics of the Committee on Interstate and Foreign Commerce may sit during general debate today.

The SPEAKER. Is there objection to the request of the gentleman from Oklahoma?

There was no objection.

CALL OF THE HOUSE

Mr. BROOMFIELD. Mr. Speaker, I make the point of order that a quorum is not present.

The SPEAKER. Evidently a quorum is not present.

Mr. ALBERT. Mr. Speaker, I move a call of the House.

A call of the House was ordered.

The Clerk called the roll, and the following Members failed to answer to their names:

[Roll No. 235]

Adair	Green, Oreg.	McMillan
Ashley	Halleck	Passman
Bell	Hanna	Rarick
Blanton	Hansen, Idaho	Resnick
Brademas	Hardy	Satterfield
Cederberg	Hawkins	Teague, Tex.
Conyers	Heckler, Mass.	Tunney
Corman	Jones, Mo.	Van Deerlin
Evins, Tenn.	Karsten	Waggonner
Gardner	Landrum	Willis

The SPEAKER. On this rollcall 401 Members have answered to their names, a quorum.

By unanimous consent, further proceedings under the call were dispensed with.

PERMISSION FOR COMMITTEE ON WAYS AND MEANS UNTIL MIDNIGHT, JULY 11, TO FILE A REPORT ON H.R. 18299, INTERNATIONAL COFFEE AGREEMENT, 1968

Mr. MILLS. Mr. Speaker, I ask unanimous consent that the Committee on Ways and Means may have until midnight Thursday, July 11, to file a report to accompany H.R. 18299, to carry out obligations under the International Coffee Agreement, 1968.

The SPEAKER. Is there objection to the request of the gentleman from Arkansas?

There was no objection.

PERSONAL EXPLANATION

Mr. DULSKI. Mr. Speaker, I missed rollcall No. 228, recommittal of the District of Columbia revenue bill. Had I been present and voting, I would have voted "nay."

CORRECTION OF ROLLCALL

Mr. DULSKI. Mr. Speaker, on rollcall No. 234, on July 8, a quorum call, I am recorded as absent. I was present and answered to my name. I ask unanimous consent that the permanent RECORD and Journal be corrected accordingly.

The SPEAKER. Is there objection to the request of the gentleman from New York?

There was no objection.

CONCERNING ENFORCEMENT OF FIREARMS CONTROL MEASURES

(Mr. CONABLE asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. CONABLE. Mr. Speaker, with the current debate over firearms control I think it is important to consider the record of the Johnson administration on the two Federal statutes already on the books which deal with firearms; these are the National Firearms Act of 1934 and the Federal Firearms Act of 1938. The record indicates the administration has been less than diligent in enforcing the laws already existing.

The U.S. Treasury Department has the responsibility for investigating violations of the existing firearms statutes. According to figures furnished to the Senate Judiciary Committee in August 1967, a total of 2,294 criminal cases involving violations of the firearms statutes were prepared by Treasury during the 5 fiscal years from 1963 to 1967.

According to the annual reports of the Attorney General, however, during these same 5 years only 1,192 firearms prosecutions were undertaken in Federal courts by the Justice Department. Thus, almost half of the cases which were prosecutable and ready for trial in the view of the Treasury Department resulted in no action by the Justice Department. This is hardly a record of vigorous enforcement.

It is interesting to note also a comparison with the Eisenhower administration. In the last 7 years of President Eisenhower's administration firearms convictions were 21 percent greater than they have been during the comparable 7-year period since 1960. Instead of an increase there has been a decrease from 1,570 to 1,297 Federal convictions.

On the basis of this record it is obvious that the current concern of the Johnson administration over firearms control is not matched by any record of achievement. This record of underachievement prompts serious questions about the validity of the administration's present demands for still more legislation in this field.

HOUSING AND URBAN DEVELOPMENT ACT OF 1968

Mr. PATMAN. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the State of the Union for the further consideration of the bill (H.R. 17989) to assist in the provision of housing for low and moderate income families, and to extend and amend laws relating to housing and urban development.

The SPEAKER. The question is on the motion offered by the gentleman from Texas.

The motion was agreed to.

IN THE COMMITTEE OF THE WHOLE

Accordingly the House resolved itself into the Committee of the Whole House on the State of the Union for the further consideration of the bill H.R. 17989, with Mr. PRICE of Illinois in the chair.

The Clerk read the title of the bill.

The CHAIRMAN. When the Committee rose on yesterday, the Clerk had read down to and including line 6 on page 2 of the bill.

The Clerk will read.

The Clerk read as follows:

The Congress declares that in the administration of those housing programs authorized by this Act which are designed to assist families with incomes so low that they could not otherwise decently house themselves, and of other Government programs designed to assist in the provision of housing for such families, the highest priority and emphasis should be given to meeting the housing needs of those families for which the national goal has not become a reality; and in the carrying out of such programs there should be the fullest practicable utilization of the resources and capabilities of private enterprise and of individual self-help techniques.

Mr. PATMAN. Mr. Chairman, the bill is being read by title, under the rule. I ask unanimous consent that the first title be considered as read, printed in the RECORD, and open to amendment at any point.

The CHAIRMAN. Is there objection to the request of the gentleman from Texas?

Mr. GROSS. Mr. Chairman, I object.

The CHAIRMAN. Objection is heard.

The Clerk will read.

The Clerk read as follows:

JOBS IN HOUSING; EMPLOYMENT OPPORTUNITIES FOR LOWER INCOME PERSONS IN CONNECTION WITH ASSISTED PROJECTS

SEC. 3. In the administration of the programs authorized by sections 235 and 236 of the National Housing Act, the below-market interest rate program under section 221(d)(3) of such Act, the low-rent public housing program under the United States Housing Act of 1937, and the rent supplement program under section 101 of the Housing and Urban Development Act of 1965, the Secretary of Housing and Urban Development shall require that, to the greatest extent feasible, opportunities for employment arising in connection with the construction of rehabilitation of projects assisted under such programs be given to lower income persons residing in the area of such projects.

IMPROVED ARCHITECTURAL DESIGN IN GOVERNMENT HOUSING PROGRAMS

SEC. 4. The Congress finds that Federal aids to housing have not contributed fully to improvement in architectural standards. This objective has been contemplated in Federal housing legislation since the establishment of mortgage insurance through the Federal Housing Administration.

The Congress commends the Department of Housing and Urban Development for its recent efforts to improve architectural standards through competitive design awards and in other ways but at the same time recognizes that this important objective requires high priority if Federal aid is to make its full communitywide contribution toward improving our urban environment.

The Congress further finds that even within the necessary budget limitations on housing for low and moderated income families architectural design could be improved not only to make the housing more attractive but to make it better suited to the needs of occupants.

The Congress declares that in the administration of housing programs which assist in the provision of housing for low and moderate income families, emphasis should be given to encouraging good design as an essential component of such housing and to developing housing which will be of such quality as to reflect its important relationship to the architectural standards of the neighborhood and community in which it is situated, consistent with prudent budgeting.

Mr. PATMAN. Mr. Chairman, I renew my unanimous consent request that we dispense with the reading of title I, that it be printed at this point in the RECORD, and be open to amendment at any point.

The CHAIRMAN. Is there objection to the request of the gentleman from Texas?

There was no objection.

TITLE I—LOW AND MODERATE INCOME HOUSING

HOMEOWNERSHIP FOR LOW AND MODERATE INCOME FAMILIES

SEC. 101. Title II of the National Housing Act is amended by adding at the end thereof the following new section:

"HOMEOWNERSHIP FOR LOW AND MODERATE INCOME FAMILIES

"SEC. 235. (a) For the purpose of assisting low and moderate income families in acquiring homeownership or in acquiring membership in a cooperative association operating a housing project, the Secretary is authorized to make, and to contract to make, periodic assistance payments on behalf of such homeowners and cooperative members. The satisfy eligibility requirements prescribed payments to mortgagees holding mortgages meeting the special requirements specified in this section.

"(b) To qualify for assistance payments, the homeowner or the cooperative member shall be of low or moderate income and satisfy elegibility requirements prescribed

"(1) the homeowner shall be a mortgagor under a mortgage which meets the requirements of and is insured under subsection (i) or (j)(4) of this section: *Provided*, That a mortgage meeting the requirements of subsection (i)(3)(A) of this section but insured under section 237 may qualify for assistance payments if such mortgage was executed by a mortgagor who is determined not to be an acceptable credit risk for mortgage insurance purposes (but otherwise eligible) under subsection (j)(4) of this section or under section 221(d)(2) or 234(c) and accepted as a reasonably satisfactory credit risk under section 237; or

"(2) the cooperative association of which the family is a member shall operate a housing project the construction or substantial rehabilitation of which has been financed with a mortgage insured under section 213 and which has been completed within two years prior to the filing of the application for assistance payments and the dwelling unit has had no previous occupant other than the

family: *Provided,* That assistance payments may be made with respect to a dwelling unit in an existing cooperative project which meets such standards as the Secretary may prescribe: *Provided further,* That a preference shall be given in contracting to make periodic assistance payments under this section to a family which qualifies as a displaced family as defined in section 221(f), or a family which includes five or more minor persons, or a family occupying low-rent public housing: *Provided further,* That the amount of the mortgage attributable to the dwelling unit shall involve a principal obligation not in excess of $15,000 ($17,500 in any geographical area where the Secretary authorizes an increase on the basis of a finding that costs levels so require), except that with respect to any family with five or more persons the foregoing limits shall be $17,500 and $20,000, respectively.

"(c) The assistance payments to a mortgagee by the Secretary on behalf of a mortgagor shall be made during such time as the mortgagor shall continue to occupy the property which secures the mortgage: *Provided,* That assistance payments may be made on behalf of a homeowner who assumes a mortgage insured under subsection (j)(4) with respect to which assistance payments have been made on behalf of the previous owner, if the homeowner is approved by the Secretary as eligible for receiving such assistance. The payment shall be in an amount not exceeding the lesser of—

"(1) the balance of the monthly payment for principal, interest, taxes, insurance, and mortgage insurance premium due under the mortgage remaining unpaid after applying 20 per centum of the mortgagor's income: *Provided,* That, in determining a mortgagor's income for the purposes of this paragraph, there shall be deducted an amount equal to $200 for each minor person who is a member of the immediate family of, and living with, the mortgagor, and the earnings of any such minor person shall not be included in the income of such mortgagor; or

"(2) the difference between the amount of the monthly payment for principal, interest, and mortgage insurance premium which the mortgagor is obligated to pay under the mortgage and the monthly payment for principal and interest which the mortgagor would be obligated to pay if the mortgage were to bear interest at the rate of 1 per centum per annum.

"(d) Assistance payments to a mortgagee by the Secretary on behalf of a family holding membership in a cooperative association operating a housing project shall be made only during such time as the family is an occupant of such project and shall be in amounts computed on the basis of the formula set forth in subsection (c) applying the cooperative member's proportionate share of the obligations under the project mortgage to the items specified in the formula.

"(e) The Secretary may include in the payment to the mortgagee such amount, in addition to the amount computed under subsection (c), (d), or (j)(7), as he deems appropriate to reimburse the mortgagee for its expenses in handling the mortgage.

"(f) Procedures shall be adopted by the Secretary for recertifications of the mortgagor's (or cooperative member's) income at intervals of two years (or at shorter intervals where the Secretary deems it desirable) for the purpose of adjusting the amount of such assistance payments within the limits of the formula described in subsection (c).

"(g) The Secretary shall prescribe such regulations as he deems necessary to assure that the sales price of, or other consideration paid in connection with, the purchase by a homeowner of the property with respect to which assistance payments are to be made is not increased above the appraised value on which the maximum mortgage which the Secretary will insure is computed.

"(h) There are authorized to be appropriated such sums as may be necessary to carry out the provisions of this section, including such sums as may be necessary to make the assistance payments under contracts entered into under this section. The aggregate amount of contracts to make such payments shall not exceed amounts approved in appropriation Acts, and payments pursuant to such contracts shall not exceed $75,000,000 per annum prior to July 1, 1969, which maximum dollar amount shall be increased by $100,000,000 on July 1, 1969, and by $125,000,000 on July 1, 1970.

"(i)(1) The Secretary is authorized, upon application by the mortgagee, to insure a mortgage executed by a mortgagor who meets the eligibility requirements for assistance payments prescribed by the Secretary under subsection (b). Commitments for the insurance of such mortgages may be issued by the Secretary prior to the date of their execution or disbursement thereon, upon such terms and conditions as the Secretary may prescribe.

"(2) To be eligible for insurance under this subsection, a mortgage shall meet the requirements of section 221(d)(2) or 234(c), except as such requirements are modified by this subsection.

"(3) A mortgage to be insured under this subsection shall—

"(A) involve a single-family dwelling which has been approved by the Secretary prior to the beginning of construction or substantial rehabilitation, or a two-family dwelling one of the units of which is to be occupied by the owner if the dwelling is purchased with the assistance of a nonprofit organization and is approved by the Secretary prior to the beginning of substantial rehabilitation, or a one-family unit in a condominium project (together with an undivided interest in the common areas and facilities serving the project) which is released from a multifamily project the construction or substantial rehabilitation of which has been completed within two years prior to the filing of the application and assistance payments with respect to such family unit and the unit has had no previous occupant other than the mortgagor: *Provided,* That the mortgage may involve an existing dwelling or a family unit in an existing condominium project if the dwelling or family unit meets such standards as the Secretary may prescribe, or if assistance payments have been made on behalf of the previous owner of the dwelling or family unit with respect to a mortgage insured under subsection (j)(4): *Provided further,* That a preference in extending mortgage insurance under this subsection shall be given to a mortgagor who qualifies as a displaced family as defined in section 221(f), or a family which includes five or more minor persons, or a family occupying low-rent public housing: *Provided further,* That the mortgage may involve a dwelling unit in an existing project covered by a mortgage insured under section 236 or in an existing project receiving the benefits of financial assistance under section 101 of the Housing and Urban Development Act of 1965;

"(B) where it is to cover a one-family unit in a condominium project, have a principal obligation not exceeding $15,000 ($17,500 in any geographical area where the Secretary authorizes an increase on the basis of a finding that cost levels so require), except that with respect to any family with five or more persons the foregoing limits shall be $17,500 and $20,000, respectively; and

"(C) be executed by a mortgagor who shall have paid (i) in the case of a displaced family as defined in section 221(f), at least $200, or (ii) in the case of any other family, at least 3 per centum (or such larger amount as the Secretary may require) of the Secretary's estimate of the cost of acquisition, in cash or its equivalent, which amount in either instance may be applied for the payment of settlement costs and initial payments for taxes, hazard insurance, mortgage insurance premiums, and other prepaid expenses.

"(j)(1) In addition to mortgages insured under the provisions of subsection (i), the Secretary is authorized, upon application by the mortgagee, to insure a mortgage (including advances under such mortgage during rehabilitation) which is executed by a nonprofit organization to finance the purchase of housing, and the rehabilitation of such housing if it is deteriorating or substandard, for subsequent resale to low or moderate income home purchasers who meet the eligibility requirements for assistance payments prescribed by the Secretary under subsection (b). Commitments for the insurance of such mortgages may be issued by the Secretary prior to the date of their execution or disbursement thereon, upon such terms and conditions as the Secretary may prescribe.

"(2) To be eligible for insurance under paragraph (1) of this subsection, a mortgage shall—

"(A) be executed by a private nonprofit organization, approved by the Secretary, for the purpose of financing the purchase (with the intention of subsequent resale), and rehabilitation where the housing involved is deteriorating or substandard, of property comprising one or more tracts or parcels, whether or not contiguous, consisting of (i) four or more single-family dwellings of detached, semidetached, or row construction, or (ii) four or more one-family units in a structure or structures for which a plan of family unit ownership approved by the Secretary is established; except that in a case not involving the rehabilitation of deteriorating or substandard housing the property purchased may consist of one or more such dwellings or units;

"(B) be in a principal amount not exceeding the apraised value of the property at the time of its purchase under the mortgage plus the estimated cost of any rehabilitation;

"(C) bear interest (exclusive of premium charges for insurance and service charge, if any) at not to exceed such per centum per annum (not in excess of 6 per centum), on the amount of the principal obligation outstanding at any time, as the Secretary finds necessary to meet the mortgage market;

"(D) provide for complete amortization (subject to paragraph (4)(E)) by periodic payments within such term as the Secretary may prescribe; and

"(E) provide for the release of individual single-family dwellings from the lien of the mortgage upon their sale in accordance with paragraph (4).

"(3) No mortgage shall be insured under paragraph (1) unless the mortgagor shall have demonstrated to the satisfaction of the Secretary that (A) the property involved is located in a neighborhood which is sufficiently stable and contains sufficient public facilities and amenities to support long-term values, or (B) the purchase or rehabilitation of such property plus the mortgagor's related activities and the activities of other owners of housing in the neighborhood, together with actions to be taken by public authorities, will be of such scope and quality as to give reasonable promise that a stable environment will be created in the neighborhood.

"(4)(A) No mortgage shall be insured under paragraph (1) unless the mortgagor enters into an agreement, satisfactory to the Secretary, that it will offer to sell the dwellings involved, after purchase and upon completion of any rehabilitation, to low or moderate income individuals or families meeting the eligibility requirements established by the Secretary under subsection (b).

"(B) The Secretary is authorized to insure under this paragraph mortgages executed to

finance the sale of individual dwellings to low or moderate income purchasers as provided in subparagraph (A). Any such mortgage shall—

"(i) be in a principal amount not in excess of that portion of the unpaid principal balance of the blanket mortgage covering the property which is allocable to the individual dwelling involved;

"(ii) bear interest at the same rate as the blanket mortgage; and

"(iii) provide for complete amortization by periodic payments within a term equal to the remaining term (determined without regard to subparagraph (E)) of such blanket mortgage.

"(C) The price for which any individual dwelling is sold under this paragraph shall be in an amount equal to that portion of the unpaid principal balance of the blanket mortgage covering the property which is allocable to the dwelling plus such additional amount, not less than $200 (which may be applied in whole or in part toward closing costs), as the Secretary may determine to be reasonable.

"(D) Upon the sale under this paragraph of any individual dwelling, such dwelling shall be released from the lien of the blanket mortgage. Until all of the individual dwellings in the property covered by the blanket mortgage have been sold, the mortgagor shall hold and operate the dwellings remaining unsold at any given time, in such manner and under such terms as the Secretary may prescribe, as though they constituted rental units.

"(E) Upon the sale under this paragraph of all the individual dwellings in the property covered by the blanket mortgage and the release of all individual dwellings from the lien of the blanket mortgage, the insurance of the blanket mortgage shall be terminated and no adjusted premium charge shall be charged by the Secretary upon such termination.

"(5) Where the Secretary has approved a plan of family unit ownership, the terms 'single-family dwelling', 'single-family dwellings', 'individual dwelling', and 'individual dwellings' shall mean a family unit or family units, together with the undivided interest (or interests) in the common areas and facilities.

"(6) For purposes of this subsection, the terms 'single-family dwelling' and 'single-family dwellings' (except for purposes of paragraph (5)) shall include a two-family dwelling which has been approved by the Secretary if one of the units is to be occupied by the owner.

"(7) In addition to the assistance payments authorized under subsection (b), the Secretary may make such payments to a mortgagee on behalf of a nonprofit organization which is a mortgagor under the provisions of paragraph (1) in an amount not exceeding the difference between the monthly payment for principal, interest, and mortgage insurance premium which the mortgagor is obligated to pay under the mortgage and the monthly payment for principal and interest such mortgagor would be obligated to pay if the mortgage were to bear interest at the rate of 1 per centum per annum.

"(k) The Secretary shall from time to time allocate and transfer to the Secretary of Agriculture, for use (in accordance with the terms and conditions of this section) in rural areas and small towns, a reasonable portion of the total authority to contract to make assistance payments as approved in appropriation Acts under subsection (h)."

(b)(1) Section 221(d)(2)(A) of the National Housing Act is amended—

(A) by striking out "not to exceed (1) $12,500" and inserting in lieu thereof "not to exceed (1) $15,000 (or $17,500, if the mortgagor's family includes five or more persons)"; and

(B) by striking out "not to exceed $15,000" in the second proviso and inserting in lieu thereof "not to exceed $17,500 (or $20,000 if the mortgagor's family includes five or more persons)".

(2) Section 221(d)(2)(B) of such Act is amended—

(A) by inserting ", in cash or its equivalent" before the semicolon after "acquisition cost" in the first proviso; and

(B) by inserting before the semicolon after "appraised value" at the end thereof the following: ": *Provided further*, That, if the mortgagor is the owner and an occupant of the property, such mortgagor shall to the maximum extent feasible be given the opportunity to contribute the value of his labor as equity in such dwelling".

(c)(1) Section 221(h)(5)(B)(ii) of such Act is amended to read as follows:

"(ii) bear interest at the same rate as the principal mortgage or such lower rate, not less than 1 per centum, as the Secretary may prescribe if in his judgment the purchaser's income is sufficiently low to justify the lower rate, and provide for complete amortization within a term equal to the remaining term (determined without regard to subparagraph (E)) of such principal mortgage."

(2) Section 221(h)(4) of such Act is amended by striking out "$20,000,000" and inserting in lieu thereof "$50,000,000".

(3) Section 221(h) of such Act is further amended by adding at the end thereof the following new paragraph:

"(6) In addition to the mortgages that may be insured under paragraphs (1) and (5), the Secretary is authorized to insure under this subsection, upon such terms and conditions as he may prescribe, mortgages which are executed by individuals or families that meet the income criteria prescribed in paragraph (5)(A) and are executed for the purpose of financing the rehabilitation or improvement of single-family dwellings of detached, semidetached, or row construction that are owned and occupied in each instance by a mortgagor who has purchased the dwelling from a nonprofit organization of the type described in this subsection. To be eligible for such insurance, a mortgage shall—

"(A) be in a principal amount not exceeding the lesser of $15,000 or the sum of the estimated cost of repair and rehabilitation and the Secretary's estimate of the value of the property before repair and rehabilitation, except that in no case involving refinancing shall such mortgage exceed such estimated cost of repair and rehabilitation and the amount (as determined by the Secretary) required to refinance existing indebtedness secured by the property;

"(B) bear interest (exclusive of premium charges for insurance and service charge, if any) at 3 per centum per annum or such lower rate, not less than 1 per centum, as the Secretary may prescribe if in his judgment the mortgagor's income is sufficiently low to justify the lower rate;

"(C) involve a mortgagor that shall have paid on account of the property at the time of the rehabilitation such amount (which shall not be less than $200 in cash or its equivalent, but which may be applied in whole or in part toward closing costs) as the Secretary may determine to be reasonable and appropriate under the circumstances; and

"(D) contain a provision that if the low-income mortgagor does not continue to occupy the property, the interest rate shall increase to the highest rate permissible under this section and the regulations of the Secretary effective at the time of commitment for insurance of the mortgage; except that the increase in interest rate shall not be applicable if the property is sold and the purchaser is (i) a nonprofit organization which has been engaged in purchasing and rehabilitating deteriorating and substandard housing with financing under a mortgage insured under paragraph (1) of this subsection, (ii) a public housing agency having jurisdiction under the United States Housing Act of 1937 over the area where the dwelling is located, or (iii) a low-income purchaser approved for the purposes of this paragraph by the Secretary."

(4) The purchase of any individual dwelling, sold by a nonprofit organization pursuit to the provisions of section 221(h)(5) of the National Housing Act after the date of enactment of this section, may be financed with a mortgage insured under the provisions of section 235(j)(4) of such Act, but such mortgage shall bear interest at the rate provided in section 235(j)(2)(C) of such Act.

(d) Section 212(a) of such Act is amended by inserting "or section 235(j)(1)" after "subsection (h)(1)" each place it appears.

(e) The Secretary of Housing and Urban Development is authorized to provide, or contract with public or private organizations to provide, such budget, debt management, and related counseling services to mortgagors whose mortgages are insured under section 235(i) or 235(j)(4) of the National Housing Act as he determines to be necessary to assist such mortgagors in meeting the responsibilities of homeownership. There are authorized to be appropriated such sums as may be necessary to carry out the provisions of this subsection.

CREDIT ASSISTANCE

SEC. 102. (a) Title II of the National Housing Act is amended by adding after section 236 (as added by section 201 of this Act) the following new section:

"SPECIAL MORTGAGE INSURANCE ASSISTANCE

"SEC. 237. (a) The purpose of this section is to help provide adequate housing for families of low and moderate income, including those who, for reasons of credit history, irregular income patterns caused by seasonal employment, or other factors, are unable to meet the credit requirements of the Secretary for the purchase of a single-family home financed by a mortgage insured under section 203, 220, 221, 234, or 235(j)(4), but who, through the incentive of homeownership and counseling assistance, appear to be able to achieve homeownership.

"(b) The Secretary is authorized upon application by the mortgagee to insure under this section any mortgage meeting the requirements of this section.

"(c) To be eligible for insurance under this section, a mortgage shall—

"(1) meet the requirements of section 203, 220(d)(3)(A), 221(d)(2), 221(h)(5), 221(i), 234(c), or 235(j)(4) except as such requirements are modified by this section;

"(2) involve a principal obligation (including such initial service charges, and such appraisal, inspection, and other fees, as the Secretary shall approve) in an amount not to exceed $15,000: *Provided*, That the Secretary may increase the amount to not exceed $17,500 in any geographical area where he finds that cost levels so require: *Provided further*, That no mortgage meeting the requirements of section 203(h) or 203(i) shall be eligible for insurance under this section if its principal obligation is in excess of the maximum limits prescribed in such section;

"(3) be executed by a mortgagor who the Secretary has determined, after a full and complete study of the case, would not be an acceptable credit risk for mortgage insurance purposes under section 203, 220, 221, 234, or 235(j)(4), because of his credit standing, debt obligations, total annual income, or income characteristics, but who the Secretary is satisfied would be a reasonably satisfactory credit risk, consistent with the objectives stated in subsection (a), if he were to receive budget, debt management, and related counseling: *Provided*, That, in determining whether the mortgagor is a reasonably satisfactory credit risk, the Secretary shall review the credit history of the applicant giving special consideration to those delinquent accounts which were ulti-

mately paid by the applicant and to extenuating factors which may have caused credit accounts of the applicant to become delinquent; and the Secretary shall also give special consideration to income characteristics of applicants whose total income over the two years prior to their applications has remained at levels of eligibility (as required under paragraph (4) of this subsection), but who, because of the character of their seasonal employment or for other reasons, have not maintained continuous employment under one employer during that time; and

"(4) require monthly payments which, in combination with local real estate taxes on the property involved, do not exceed 25 per centum of the applicant's income, based on his average monthly income during the year prior to his application or the average monthly income during the three years prior to his application, whichever is higher.

"(d) The Secretary shall give preference in approving mortgage insurance applications under this section to families living in public housing units, especially those families required to leave public housing because their incomes have risen beyond the maximum prescribed income limits, and families eligible for residence in public housing who have been displaced from federally assisted urban renewal areas.

"(e) The Secretary is authorized to provide, or contract with public or private organizations to provide, such budget, debt management, and related counseling services to mortgagors whose mortgages are insured under this section as he determines to be necessary to meet the objectives of this section. The Secretary may also provide such counseling to otherwise eligible families who lack sufficient funds to supply a downpayment to help them to save an amount necessary for that purpose.

"(f) The aggregate principal balance of all mortgages insured under this section and outstanding at one time shall not exceed $100,000,000.

"(g) There are authorized to be appropriated such sums as may be necessary to carry out the provisions of subsection (e) of this section."

(b) Section 226 of the National Housing Act is amended by inserting "235(i), 237," after "234,".

RELAXATION OF MORTGAGE INSURANCE REQUIREMENTS IN CERTAIN URBAN NEIGHBORHOODS

SEC. 103. (a) Section 223 of the National Housing Act is amended by adding at the end thereof a new subsection as follows:

"(e) Notwithstanding any of the provisions of this title except section 212, and without regard to limitations upon eligibility contained in any section of this title, the Secretary is authorized, upon application by the mortgagee, to insure under any section of this title a mortgage executed in connection with the repair, rehabilitation, construction, or purchase of property located in an older, declining urban area in which the conditions are such that one or more of the eligibility requirements applicable to the section of this title under which insurance is sought could not be met, if the Secretary finds that (1) the area is reasonably viable, giving consideration to the need for providing adequate housing for families of low and moderate income in such area, and (2) the property is an acceptable risk in view of such consideration. The insurance of a mortgage pursuant to this subsection shall be the obligation of the Special Risk Insurance Fund."

(b) Section 203(1) of such Act is repealed.

SPECIAL RISK INSURANCE FUND

SEC. 104. (a) Title II of the National Housing Act is amended by adding after section 237 (as added by section 102 of this Act) the following new section:

"PAYMENT OF INSURANCE—SPECIAL RISK INSURANCE FUND

"SEC. 238. (a)(1) Any mortgagee under a mortgage insured under section 235(i), 235(j)(4), or 237 shall be entitled to receive the benefits of the insurance as provided in section 204(a) with respect to mortgages insured under section 203. The provisions of subsections (b), (c), (d), (g), (j), and (k) of section 204 shall be applicable to mortgages insured under section 235(i), 235(j)(4), or 237, except that all references therein to the 'Mutual Mortgage Insurance Fund' shall be construed to refer to the 'Special Risk Insurance Fund', and all references therein to section 203 shall be construed to refer to section 235(i), 235(j)(4), or 237, as may be appropriate.

"(2) Any mortgagee under a mortgage insured under section 235(j)(1) or 236 shall be entitled to receive the benefits of insurance as provided in section 207(g) with respect to mortgages insured under section 207. The provisions of subsections (d), (e), (h), (i), (j), (k), (l), and (n) of section 207 shall be applicable to mortgages insured under section 235(j)(1) or 236, except that all references therein to the 'General Insurance Fund' shall be construed to refer to the 'Special Risk Insurance Fund' and the premium charge provided in section 207(d) shall be payable only in cash or debentures of the Special Risk Insurance Fund.

"(3) In lieu of the amount of insurance benefits computed pursuant to paragraph (1) or (2) of this subsection, the Secretary, in his discretion and in accordance with such regulations as he may prescribe, may (with respect to any mortgage loan acquired by him) compute and pay insurance benefits to the mortgagee in a total amount equal to the unpaid principal balance of the loan plus any accrued interest and any advances approved by the Secretary and made previously by the mortgagee under the provisions of the mortgage.

"(b) There is hereby created a Special Risk Insurance Fund (hereinafter referred to as the 'fund') which shall be used by the Secretary as a revolving fund for carrying out the mortgage insurance obligations of sections 223(e), 233(a)(2), 235, 236, and 237, and the Secretary is hereby authorized to advance to the fund the sum of $5,000,000 from the General Insurance Fund established pursuant to the provisions of section 519. Such advance shall be repayable at such times and at such rates of interest as the Secretary deems appropriate. Premium charges, adjusted premium charges, inspection and other fees, service charges, and any other income received by the Secretary under sections 223(e), 235, 236, and 237, together with all earnings on the assets of the fund, shall be credited to the fund. All payments made pursuant to claims of mortgagees with respect to mortgages insured under sections 235, 236, and 237 or pursuant to section 223(e) or 233(a)(2), cash adjustments, the principal of and interest paid on debentures which are the obligation of the fund, expenses incurred in connection with or as a consequence of the acquisition and disposal of property acquired under such sections, and all administrative expenses in connection with the mortgage insurance operations under such sections shall be paid out of the fund. There is authorized to be appropriated such sums as may be needed from time to time to cover losses sustained by the fund in carrying out the mortgage insurance obligations of sections 223(e), 233(a)(2), 235, 236, and 237. Moneys in the fund not needed for current operations of the fund shall be deposited with the Treasurer of the United States to the credit of the fund or invested in bonds or other obligations of, or in bonds or other obligations guaranteed by, the United States. The Secretary, with the approval of the Secretary of the Treasury, may purchase in the open market debentures which are the obligation of the fund. Such purchases shall be made at a price which will provide an investment yield of not less than the yield obtained from other investments authorized by this section. Debentures so purchased shall be canceled and not reissued."

(b) Section 224 of such Act is amended by striking out "or section 233" and inserting in lieu thereof "section 233, or section 238".

(c) Section 519(e) of such Act is amended by inserting after "section 213(k)" the following: ", or the provisions of sections 223(e), 233(a)(2), 235, 236, and 237".

CONDOMINIUM AND COOPERATIVE OWNERSHIP FOR LOW AND MODERATE INCOME FAMILIES

SEC. 105. (a) Section 221 of the National Housing Act is amended by adding at the end thereof two new subsections as follows:

"(i)(1) The Secretary is authorized, with respect to any project involving a mortgage insured under subsection (d)(3) which bears interest at the below-market interest rate prescribed in the proviso of subsection (d)(5), to permit a conversion of the ownership of such project to a plan of family unit ownership. Under such plan, each family unit shall be eligible for individual ownership and provision shall be included for the sale of the family units, together with an undivided interest in the common areas and facilities which serve the project, to low or moderate income purchasers. The Secretary shall obtain such agreements as he determines to be necessary to assure continued maintenance of the common areas and facilities. Upon such sale, the family unit and the undivided interest in the common areas shall be released from the lien of the project mortgage.

"(2)(A) The Secretary is authorized, upon application by the mortgagee, to insure under this subsection mortgages financing the purchase of individual family units under the plan prescribed in paragraph (1). Commitments may be issued by the Secretary for the insurance of such mortgages prior to the date of their execution or disbursement thereon, upon such terms and conditions as the Secretary may prescribe. To be eligible for such insurance, the mortgage shall—

"(i) be executed by a mortgagor having an income within the limits prescribed by the Secretary for occupants of projects financed with a mortgage insured under subsection (d)(3) which bears interest at the below-market rate prescribed in the proviso of subsection (d)(5);

"(ii) involve a principal obligation (including such initial service charges, and such appraisal, inspection, and other fees, as the Secretary shall approve) in an amount not to exceed the Secretary's estimate of the appraised value of the family unit, including the mortgagor's interest in the common areas and facilities, as of the date the mortgage is accepted for insurance;

"(iii) bear interest at a rate determined by the Secretary (which may vary in accordance with the regulations of the Secretary promulgated pursuant to the last sentence of paragraph (4) of this subsection) but not less than the below-market rate in effect under the proviso of subsection (d)(5) at the date of the commitment for insurance; and

"(iv) provide for complete amortization by periodic payments within such term as the Secretary may prescribe, but not to exceed the lesser of forty years from the beginning of amortization of the mortgage or three-quarters of the Secretary's estimate of the remaining economic life of the building improvements.

"(B) The price for which the individual family unit is sold to the low or moderate income purchaser shall not exceed the ap-

praised value of the property, as determined under subparagraph (A)(ii), except that the purchaser shall be required to pay on account of the property at the time of purchase at least such amount, in cash or its equivalent (which shall be not less than 3 per centum of such price, but which may be applied in whole or in part toward closing costs), as the Secretary may determine to be reasonable and appropriate.

"(3) Upon the sale of all of the family units covered by the project mortgage, and the release of all of the family units (including the undivided interest allocable to each unit in the common areas and facilities) from the lien of the project mortgage, the insurance of the project mortgage shall be terminated and no adjusted premium charge shall be collected by the Secretary upon such termination.

"(4) Any mortgage covering an individual family unit insured under this subsection shall contain a provision that, if the original mortgagor does not continue to occupy the property, the interest rate shall increase to the highest rate permissible under this section and the regulations of the Secretary effective at the time the commitment was issued for the insurance of the project mortgage; except that the requirement for an increase in interest rate shall not be applicable if the property is sold and the purchaser is (i) a nonprofit purchaser approved by the Secretary, or (ii) a low or moderate income purchaser who has an income within the limits prescribed by the Secretary for occupants of projects financed with a mortgage insured under subsection (d)(3) which bears interest at the below-market rate prescribed in the proviso of subsection (d)(5). The mortgage shall also contain a provision that, if the Secretary determines that the annual income of the original mortgagor (or a purchaser described in clause (ii) of the preceding sentence) has increased to an amount enabling payment of a greater rate of interest, the interest rate of the individual mortgage may be increased up to the highest rate permissible under the regulations of the Secretary for mortgages insured under this section effective at the time the commitment was issued for the insurance of the mortgage.

"(5) For the purpose of this subsection—

"(i) the term 'mortgage', when used in relation to a mortgage insured under paragraph (2) of this subsection, includes a first mortgage given to secure the unpaid purchase price of a fee interest in, or a long-term lease-hold interest in, a one-family unit in a multifamily project and an undivided interest in the common areas and facilities which serve the project; and

"(ii) the term 'common areas and facilities' includes the land and such commercial, community, and other facilities as are approved by the Secretary.

"(j)(1) The Secretary is authorized, with respect to any rental project involving a mortgage insured under subsection (d)(3) which bears interest at the below-market interest rate prescribed in the proviso of subsection (d)(5), to permit a conversion of the ownership of such project to a cooperative approved by the Secretary. Membership in such cooperative shall be made available only to those families having an income within the limits prescribed by the Secretary for occupants of projects financed with a mortgage insured under subsection (d)(3) which bears interest at such below-market rate: *Provided*, That families residing in the rental project at the time of its conversion to a cooperative who do not meet such income limits may be permitted to become members in the cooperative under such special terms and conditions as the Secretary may prescribe.

"(2) The Secretary is authorized, upon application by the mortgagee, to insure under this subsection cooperative mortgages financing the purchase of projects meeting the requirements of paragraph (1). Commitments may be issued by the Secretary for the insurance of such mortgages prior to the date of their execution or disbursement thereon, upon such terms and conditions as the Secretary may prescribe. To be eligible for such insurance, the mortgage shall—

"(i) involve a principal obligation (including such initial service charges and appraisal, inspection, and other fees as the Secretary shall approve) in an amount not exceeding the appraised value of the property for continued use as a cooperative, which value shall be based upon a mortgage amount on which the debt service can be met from the income of the property when operated on a nonprofit basis, after the payment of all operating expenses, taxes, and required reserves;

"(ii) bear interest at the below-market rate prescribed in the proviso of subsection (d)(5); and

"(iii) provide for complete amortization within such term as the Secretary may prescribe."

(b) Section 221(g)(1) of such Act is amended by striking out "or paragraph (5) of subsection (h) of this section" and inserting in lieu thereof "paragraph (5) of subsection (h) of this section, or paragraph (2) of subsection (i) of this section".

(c) Section 221(g)(2) of such Act is amended by striking out "or paragraph (1) of subsection (h)" and inserting in lieu thereof "paragraph (1) of subsection (h) of this section, or paragraph (2) of subsection (j),".

(d) Section 221(f) of such Act is amended by inserting after "subsection (h)" in the third sentence of the second paragraph the following: ", (i), or (j)".

ASSISTANCE TO NONPROFIT SPONSORS OF LOW AND MODERATE INCOME HOUSING

SEC. 106. (a) The Secretary of Housing and Urban Development is authorized to provide, or contract with public or private organizations to provide, information, advice, and technical assistance with respect to the construction, rehabilitation, and operation by nonprofit organizations of housing for low or moderate income families. Assistance by the Secretary may include—

(1) the assembly, correlation, publication, and dissemination of information with respect to the construction, rehabilitation, and operation of low and moderate income housing, and

(2) the provision of advice and technical assistance with respect to the construction, rehabilitation, and operation of low and moderate income housing.

(b)(1) The Secretary is authorized to make loans to nonprofit organizations for the necessary expenses, prior to construction, in planning, and obtaining financing for, the rehabilitation or construction of housing for low or moderate income families under any federally assisted program. Such loans shall be made without interest and shall not exceed 80 per centum of the reasonable costs expected to be incurred in planning, and in obtaining financing for, such housing prior to the availability of financing, including, but not limited to, preliminary surveys and analyses of market needs, preliminary site engineering and architectural fees, site acquisition, application and mortgage commitment fees, and construction loan fees and discounts. The Secretary shall require repayment of loans made under this subsection, under such terms and conditions as he may require, upon completion of the project or sooner, and may cancel any part or all of a loan if he determines that it cannot be recovered from the proceeds of any permanent loan made to finance the rehabilitation or construction of the housing.

(2) The Secretary shall determine prior to the making of any loan that the nonprofit organization meets such requirements with respect to financial responsibility and stability as he may prescribe.

(3) There are authorized to be appropriated for the purposes of this subsection not to exceed $7,500,000 for the fiscal year ending June 30, 1969, and not to exceed $10,000,000 for the fiscal year ending June 30, 1970. Any amounts so appropriated shall remain available until expended, and any amounts authorized for any fiscal year under this paragraph but not appropriated may be appropriated for any succeeding fiscal year.

(4) All funds appropriated for the purposes of this subsection shall be deposited in a fund which shall be known as the Low and Moderate Income Sponsor Fund, and which shall be available without fiscal year limitation and be administered by the Secretary as a revolving fund for carrying out the purposes of this subsection. Sums received in repayment of loans made under this subsection shall be deposited in such fund.

NATIONAL HOMEOWNERSHIP FOUNDATION

SEC. 107. (a)(1) There is hereby created a body corporate to be known as the "National Homeownership Foundation" (hereinafter referred to as the "Foundation") to carry out a continuing program of encouraging private and public organizations at the national, community, and neighborhood levels to provide increased homeownership and housing opportunities in urban and rural areas for lower income families through such means as—

(A) encouraging the investment in, and sponsoring of, housing for lower income families;

(B) encouraging the establishment of programs of assistance and counseling to lower income families to enable them better to achieve and afford adequate housing;

(C) providing a broad range of technical assistance through publications and advisory services to public and private organizations which are carrying out, or are desirous of carrying out, programs to expand homeownership and housing opportunities for lower families; and

(D) providing grants and loans to public and private organizations carrying out homeownership and housing opportunity programs for lower income families to help cover some of the expenses of such programs.

(2) The Foundation shall be deemed to be a corporation without members organized and established under the provisions of the District of Columbia Nonprofit Corporation Act, with all the rights, powers, and responsibilities thereof except as limited by this section and any amendments thereto. This section shall constitute the articles of incorporation and charter of the Foundation, which shall not be an agency or instrumentality of the United States Government. The Congress expressly reserves the exclusive right to alter or amend this charter. The Foundation shall have succession until dissolved by Act of Congress. The Foundation shall maintain its principal office in the District of Columbia.

(3) No part of the net earnings of the Foundation shall inure to the benefit of any private person, and no substantial part of its activities shall be devoted to attempting to influence legislation. The Foundation shall not participate or intervene in any political campaign on behalf of any candidate for public office. The Foundation shall be operated and administered at all times as a charitable and educational foundation.

(4) No employee or officer of the Foundation shall receive compensation in excess of that received by or hereafter prescribed by law for heads of executive departments.

(5) The Foundation shall make maximum use of existing public and private agencies and programs, and in carrying out its functions the Foundation is authorized to contract with individuals, private corporations, organizations, and associations, and with

agencies of the Federal, State, and local governments.

(6) The Foundation is authorized to receive donations and grants from individuals and from public and private organizations, foundations, and agencies.

(7) The Foundation may use only donated funds, or funds derived from payment of interest on loans made by it, for the principal and interest payments on any borrowings.

(b) (1) The Foundation shall have a Board of Directors consisting of eighteen members, fifteen of whom shall be appointed by the President of the United States, with the advice and consent of the Senate. The other three members shall be, ex officio, the Secretary of Housing and Urban Development, the Secretary of Agriculture, and the Director of the Office of Economic Opportunity. The President shall appoint one of the fifteen appointed members to serve as Chairman of the Board during his term of office as a member.

(2) Within thirty days after the date of enactment of this Act, the President shall appoint the fifteen appointed members of the Board. Not more than five of such members shall, at the time of their appointment, be serving full time as officers or employees of the Federal Government, or as officers or employees of any State or local government. Each appointed member of the Board shall hold office for a term of three years, except that (A) any member appointed to fill a vacancy prior to the expiration of the term for which his predecessor was appointed shall be appointed for the remainder of such term, and (B) the terms of the members first taking office shall expire, as designated by the President at the time of appointment, five at the end of the first year, five at the end of the second year, and five at the end of the third year after the date of appointment. Members of the Board, however appointed, shall be eligible for reappointment, but at no time shall there be more than five members of the Board who at the time of their appointment or reappointment were full-time officers or employees of the Federal Government or of any State or local government.

(3) Appointed members of the Board who are not employees of the Federal Government, while attending meetings or conferences of the Board or otherwise serving on business of the Board, shall be entitled to receive compensation at rates fixed by the President, but not exceeding $100 per day, including travel time, and while so serving away from their homes or regular places of business they may be allowed travel expenses, including per diem in lieu of subsistence, as authorized by section 5703 of title 5, United States Code, for persons in the Government service employed intermittently.

(4) The Board shall appoint an Executive Director of the Foundation. The Executive Director shall be the chief executive officer of the Foundation and shall serve at the pleasure of the Board, and all other executive officers and employees of the Board shall be responsible to him. The Board shall also cause to be appointed a secretary, a treasurer, and such other officers as may be necessary to conduct properly the business of the Foundation, and shall provide for filling vacancies in such offices.

(5) The Board shall adopt bylaws for the Foundation which shall be made available for public inspection upon request.

(c) (1) The Foundation shall assist public and private organizations, at their request, in initiating, developing, and conducting programs to expand homeownership and housing opportunities for lower income families. To provide such assistance and to carry out the purposes of this section, the Foundation is authorized to—

(A) carry out a continuing program of encouraging private and public organizations at the national, community, and neighborhood levels in the establishment of such programs;

(B) assist in the formation of organizations the purpose of which is the development and carrying out of such programs, including the establishment of local development funds for financing housing for lower income families through the pooling of moneys from private sources;

(C) identify and arrange for the technical and managerial assistance and personnel needed for the successful operation of such programs by public and private organizations;

(D) assist public and private organizations in obtaining the mortgage financing, insurance, and other requirements or aids necessary for conducting programs of housing construction, rehabilitation, or improvement for lower income families;

(E) arrange for, or provide on a limited basis, training for persons in the skills needed in administering programs of homeownership and housing opportunity for lower income families;

(F) encourage research and innovation, and collect and make available such information as may be desirable to further the purposes of this section, including but not limited to such activities as the sponsoring of seminars, conferences, and meetings, and the establishment of a continuing information program to acquaint lower income families with the means they can use to improve the quality of their housing and the homeownership and housing opportunities available to them;

(G) assist private and public organizations in establishing, in connection with their homeownership and housing opportunity programs for lower income families, counseling and similar activities designed to advise lower income families of the means available to better themselves economically through job training and manpower development programs; and

(H) perform other similar services in order to further the purposes of this section.

(2) The Foundation may, if it deems it appropriate, charge a reasonable fee for any assistance or services provided under this subsection.

(d) (1) In order to assist public and private organizations which are carrying out homeownership and housing opportunity programs for lower income families to fill unmet needs, initiate exceptional programs, and experiment with new approaches and programs, the Foundation is authorized, subject to such terms and conditions as it may prescribe, to make grants and loans to such organizations to help defray the following expenses:

(A) organizational and administrative expenses incurred in commencing the operation of a program, or in expanding an existing program, to the extent that the activities are related to providing homeownership and housing opportunities for lower income families;

(B) necessary preconstruction costs incurred for architectural assistance, land options, application fees, and similar items; and

(C) the cost of carrying out programs providing counseling or similar services to lower income families for whom housing is being provided, in order to enable those families better to achieve and afford adequate housing, in such matters as home management, budget management, and home maintenance.

(2) In order to be eligible for a grant or loan under this subsection, the organization seeking such assistance shall demonstrate to the satisfaction of the Foundation that the fund requested are not otherwise available from Federal sources: *Provided*, That a grant or loan under this subsection may be provided to help cover that portion of the cost of an eligible activity not covered by Federal funds.

(3) The Foundation shall encourage cooperation between public and private organizations carrying out programs of homeownership and housing opportunity for lower income families and the neighborhoods and communities affected by such programs. To help assure such cooperation and in order to coordinate, to the maximum extent feasible, any construction or rehabilitation activities with the development goals of the neighborhood or community affected, no application for a loan or grant under this subsection shall be considered unless such application has been submitted to the governing body of the community affected, or to such other entity of local government as may be designated by the governing body, for such recommendations as the local governing body or its designee may desire to make. Any recommendations so made shall be given careful consideration by the Foundation before taking final action on any such application. If, upon the expiration of thirty days after any such application has been submitted to such governing body or its designee, such body or designee fails to provide such recommendations, the application may be considered without the benefit of such recommendations.

(e) The Foundation shall coordinate its activities and consult with the Department of Housing and Urban Development and other Federal departments and agencies engaged in providing homeownership and housing opportunities for lower income families.

(f) (1) Not later than one hundred and twenty days after the close of each fiscal year, the Foundation shall prepare and submit to the President and to the Congress a full reoprt of its activities during such year. Such report shall include an account of the Foundation's experiences with the efforts of private and public organizations to expand homeownership and housing opportunities for lower income families, together with such recommendations as it deems appropriate.

(2) Whenever in its judgment the general unavailability of mortgage funds is sufficiently serious to deter the Foundation from carrying out its objective of expanding homeownership and housing opportunities for lower income families, the Foundation shall, in its annual report or in a separate report to the President and the Congress, state its findings and make such recommendations for alternate means of financing housing for such families as it deems appropriate.

(g) (1) The financial transactions of the Foundation shall be audited by the General Accounting Office in accordance with the principles and procedures applicable to commercial corporate transactions and under such rules and regulations as may be prescribed by the Comptroller General of the United States. The representatives of the General Accounting Office shall have access to all books, accounts, financial records, reports, files, and all other papers, things, or property belonging to or in use by the Foundation and necessary to facilitate the audit, and they shall be afforded full facilities for verifying transactions with the balances or securities held by depositories, fiscal agents, and custodians. The audit shall cover the fiscal year corresponding to that of the United States Government.

(2) A report of each such audit shall be made by the Comptroller General to the Congress not later than January 15 following the close of the fiscal year for which the audit was made. The report shall set forth the scope of the audit and shall include a statement of assets and liabilities, capital, and surplus or deficit; a statement of sources and application of funds; and such comments and information as may be deemed necessary to keep the Congress informed of the operations and financial condi-

tion of the Foundation, together with such recommendations with respect thereto as the Comptroller General may deem advisable. The report shall also show specifically any program, expenditure, or other financial transaction or undertaking, observed in the course of the audit, which, in the opinion of the Comptroller General, has been carried on or made without authority of law. A copy of each report shall be furnished to the President and to the Foundation at the time submitted to the Congress.

(h) Funds of the Foundation shall be deposited, to the extent practicable, in accounts with financial institutions which are actively engaged in making loans or are otherwise carrying on activities in furtherance of homeownership and housing opportunities for lower income families.

(i) There is authorized to be appropriated to the Foundation not to exceed $10,000,000 to carry out the purposes of this section. Appropriations made hereunder shall remain available until expended.

NEW TECHNOLOGIES IN THE DEVELOPMENT OF HOUSING FOR LOWER INCOME FAMILIES

SEC. 108. (a) In order to encourage the use of new housing technologies in providing decent, safe, and sanitary housing for lower income families; to encourage large-scale experimentation in the use of such technologies; to provide a basis for comparison of such technologies with existing housing technologies in providing such housing; and to evaluate the effect of local housing codes and zoning regulations on the large-scale use of new housing technologies in the provision of such housing, the Secretary of Housing and Urban Development (hereinafter referred to as the "Secretary") shall institute a program under which qualified organizations, public and private, will submit plans for the development of housing for lower income families, using new and advanced technologies, on Federal land which has been made available by the Secretary for the purposes of this section, or on other land where (1) local building regulations permit the construction of experimental housing, or (2) State or local law permits variances from building regulations in the construction of experimental housing for the purpose of testing and developing new building technologies.

(b) The Secretary shall approve not more than five plans utilizing new housing technologies which are submitted to him pursuant to the program referred to in subsection (a) and which he determines are most promising in furtherance of the purposes of this section. In making such determination the Secretary shall consider—

(1) the potential of the technology employed for producing housing for lower income families on a large scale at a moderate cost;

(2) the extent to which the plan envisages environmental quality;

(3) the possibility of mass production of the technology; and

(4) the financial soundness of the organization submitting the plan, and the ability of such organization, alone or in combination with other organizations, to produce at least one thousand dwelling units a year utilizing the technology proposed.

(c) In approving projects for mortgage insurance under section 233(a)(2) of the National Housing Act (as added by subsection (f) of this section), the Secretary shall seek to achieve the construction of at least one thousand dwelling units a year over a five-year period for each of the various types of technologies proposed in approved plans under subsection (b). The Secretary shall evaluate each project with respect to which assistance is extended pursuant to this section with a view to determining (1) the detailed cost breakdown per dwelling unit, (2) the environmental quality achieved in each such unit, and (3) the effect which local housing codes and zoning regulations have, or would have if applicable, on the cost per dwelling unit.

(d) Notwithstanding the provisions of the Federal Property and Administrative Services Act of 1949, any land which is excess property within the meaning of such Act and which is determined by the Secretary to be suitable in furtherance of the purposes of this section may be transferred to the Secretary upon his request.

(e) The Secretary shall, at the earliest practicable date, report his findings with respect to projects assisted pursuant to this section (including evaluations of each such project in accordance with subsection (c)), together with such recommendations for additional legislation as he determines to be necessary or desirable to expand the available supply of decent, safe, and sanitary housing for lower income families through the use of technologies the efficacy of which has been demonstrated under this section.

(f)(1) Section 233(a) of the National Housing Act is amended—

(A) by inserting "(1)" after "(a)",

(B) by redesignating clauses (1), (2), and (3) as clauses (A), (B), and (C), respectively, and

(C) by adding at the end thereof the following new paragraph:

"(2) The Secretary is further authorized to insure and to make commitments to insure, under this section, mortgages (including advances on mortgages during construction) secured by properties in projects to be carried out in accordance with plans approved by the Secretary under section 108 of the Housing and Urban Development Act of 1968.".

(2) Section 233(c) of such Act is amended by inserting at the end thereof the following new sentence: "Any authority which the Secretary may exercise in connection with a mortgage, or property covered by a mortgage, insured under any other section of this title (including payments to reduce rentals for, or to facilitate homeownership by, lower income families) may be exercised in connection with a mortgage, or property covered by a mortgage, meeting the requirements of such other section (except as specified in subsection (b)), which is insured under this section to the same extent and in the same manner as if the mortgage insured under this section was insured under such other section."

INSURANCE PROTECTION FOR HOMEOWNERS

SEC. 109. (a) The Secretary of Housing and Urban Development is authorized, in cooperation with the private insurance industry, to develop a plan for the establishment at the earliest practicable date of an insurance program to help homeowners in meeting mortgage payments in times of personal economic adversity. Such insurance program shall be designed to protect mortgagors against foreclosure due to curtailment of income resulting from factors beyond their effective control, including such factors as death, disability, illness, and unemployment. Such insurance program shall also be designed to be actuarially sound through the use of premiums, fees, extended or increased payment schedules, or other similar methods, in conjunction with such Federal participation as may be necessary.

(b) Within six months following the date of enactment of this Act, the Secretary shall report to the Congress on his actions under this section, and shall recommend to the Congress such legislation as he deems appropriate to authorize him to enter into agreements with any insurance company, or any corporation or joint enterprise formed to provide home mortgage insurance protection, for the purpose of reinsuring insurance reserve funds, subsidizing premium payments on behalf of lower income mortgagors, or otherwise making possible the insurance protection of homeowners in accordance with subsection (a). In preparing such recommendations the Secretary shall consult with other agencies or instrumentalities of the United States which insure or guarantee home mortgages in order that such legislation as may be recommended affords equal benefits to mortgagors participating in their programs.

AMENDMENT OFFERED BY MRS. DWYER

Mrs. DWYER. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mrs. DWYER: On page 4, after line 10, insert the following new section:

"ANNUAL REPORT ON AREAS OF PROGRAM ADMINISTRATION AND MANAGEMENT WHICH REQUIRE IMPROVEMENT

"SEC. 5. The Secretary shall, as soon as practicable in each calendar year and beginning with an interim report no later than January 15, 1969, make a report to the respective Committees on Banking and Currency of the House of Representatives and the Senate identifying specific areas of program administration and management which require improvement, describing actions taken and proposed for the purpose of making such improvements, and recommending such legislation as may be necessary to accomplish such improvements. Each report shall include, but not be limited to, the following areas of program administration and management: uniformity and standardization in program requirements, simplification of program procedures, ways and means of expediting consideration of proposed projects and applications for assistance, the provision of more useful and specific assistance to communities, organizations and individuals seeking to utilize the Department's programs, and ways and means of combining or otherwise adapting the Department's programs to increase their usefulness in meeting the individual needs of applicants."

Mrs. DWYER. Mr. Chairman, my amendment, I believe, is self-explanatory. It would simply implement the language in the committee report on page 4 which expresses the committee's "dissatisfaction" with "excessive redtape, extensive delays in processing applications, cumbersome and complicated procedural requirements."

In all essential respects, moreover, the language of my amendment follows the language of the committee report. It is designed to follow up our concern with action.

Certainly, Mr. Chairman, no one here will question the need for such improvements. Our colleagues are all too aware of shortcomings in program administration, not only in the Department of Housing and Urban Development but in other departments and agencies having urban program responsibilities. As I mentioned during general debate, our committee hearings on the pending bill revealed considerable evidence of the problem, and I shall cite only a few to illustrate the need for action.

The mayor of Philadelphia, for instance, told us how he has been forced to increase his staff of one coordinator to five, with each of the five requiring a backup staff of 20 or 30.

The president of the National Association of Housing and Redevelopment Officials argued strongly for greater reliance on local initiative and for elimination of the requirements of prereview of local projects, which involves so much time-consuming duplication of effort.

The chairman of the Housing Committee of the American Institute of Architects put it bluntly. He said, and I quote:

Delays are so great in many of our Federal housing programs that it takes weeks and even months to get minor approvals. Existing programs must be strengthened to provide greater efficiencies.

The mayor of Norfolk, Va., was another who stressed the problem of delays in housing programs. And he, too, urged upon the committee the importance of faster approval of local projects and the elimination of redtape.

This judgment is shared by officials at the State level, too. In my own State of New Jersey, the Newark Sunday News recently reported one of the most vigorous attacks on the complexities of Federal program administration I have ever seen. No less than three top State officials—the budget director, the community affairs commissioner and the transportation commissioner—agreed on the chaos created by uncoordinated Federal programs. The News reported expressions of "disbelief" at what was termed "an indescribable morass."

Finally, the report of the National Commission on Civil Disorders devoted some of its strongest, and most ignored, language to these problems. It said, and I quote again:

Federal programs often seem self-defeating and contradictory: field officials unable to make decisions on their own programs and unaware of related efforts; agencies unable or unwilling to work together; programs conceived and administered to achieve different and sometimes conflicting purposes.

The whole point of my amendment, Mr. Chairman, is to make department officials think in a systematic way about the problems of redtape, delay, and complexity. But unless Congress requires that this be done, unless we set this process of self-criticism in motion by statutory requirements, it will not be done. At best, we will continue to see sporadic and isolated attempts to improve administration. At worst, we will witness more of the unsatisfactory status quo—officials enmeshed in the day-to-day struggle with a host of complex projects and unable to reflect on what they are doing and devise better ways of doing it.

The New York City housing and development administrator, to illustrate this point, told our committee that when we demanded a report from HHFA several years ago on what the agency was doing to cut redtape, responsible officials found it the most encouraging thing that had happened in years—and those are his words.

He said, and I quote, "the most important single goad to action to clean up the red tape that I know of."

If Mr. Nathan was right, and I have every reason to believe he was, then the very simple amendment I am offering can trigger a great deal of cost-cutting, time-saving, and problem-solving activity both here in Washington and throughout the country.

If we are genuinely concerned about making greater progress in solving our urban problems, if we mean what we say about economy and efficiency in Government, then we must make a start here and now. I submit to our colleagues that approval of my amendment would be a very good start indeed.

Mr. BARRETT. Mr. Chairman, will the gentlewoman yield?

Mrs. DWYER. I am very happy to yield to the gentleman.

Mr. BARRETT. Mr. Chairman, I have consulted the Members on our side of the aisle on the amendment offered by the gentlewoman, and we have no objection to it if it is agreeable to the minority side. I do want to say that I am very sure that the gentlewoman knows we must recognize HUD has many, many agencies and many, many programs. I do not think we should oppose the amendment offered by the gentlewoman requiring an annual report to the Committee on Banking and Currency. Therefore, I ask our side to support your amendment, and I know your side is agreeable and will accept it.

Mrs. DWYER. I thank the gentleman very much.

Mr. WIDNALL. Mr. Chairman, will the distinguished gentlewoman yield?

Mrs. DWYER. I shall be glad to yield to the distinguished gentleman from New Jersey [Mr. WIDNALL].

Mr. WIDNALL. Mr. Chairman, I would like to compliment the distinguished genltewoman from New Jersey on the amendment that she has offered. She has worked very hard within the committee in order to bring to the attention of our committee and also to the attention of the entire country the red tape delays in administering many of the present programs. This amendment should pinpoint the difficulties.

Mr. Chairman, in my opinion it is a significant amendment and provides that the housing programs may be expedited. This is a major goal for all. We want to achieve results.

The CHAIRMAN. The question is on the amendment offered by the gentlewoman from New Jersey [Mrs. DWYER].

The amendment was agreed to.

AMENDMENT OFFERED BY MR. OTTINGER

Mr. OTTINGER. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. OTTINGER: On page 2, at line 17, insert the following:

"The Congress declares that the program of the President as expressed in his annual message to the Congress shall include statements and recommendations concerning a residential construction goal. In furtherance of the relaization of this goal the President shall transmit to the Senate and the House of Representatives, after the beginning of each session of the Congress, but not later than January 20, a report which shall include the following: (1) a statement indicating the minimum number of housing units which should be started during the then calendar year, or such year and the next following calendar year, in order to be consistent with the program of the President; (2) an indication of the manner in which fiscal and monetary policies will be administered by the executive agencies to achieve the number of housing units specified under clause (1); and (3) any recommendations for legislative action that the President determines is necessary or desirable in order that the construction of such specified number of housing units may be started."

(Mr. OTTINGER asked and was given permission to revise and extend his remarks.)

Mr. OTTINGER. Mr. Chairman, I wish to congratulate the chairman of the Committee on Banking and Currency, on which I have had the privilege to serve, for the fine job which he has done on this bill, as well as the chairman of the subcommittee, the gentleman from Pennsylvania [Mr. BARRETT], and the ranking minority member, the gentleman from New Jersey [Mr. WIDNALL].

I hope they will accept this amendment.

This amendment is comparable to legislation which I and a number of colleagues on both sides of the aisle have introduced since the 89th Congress.

Mr. Chairman, I am sure every one of our colleagues recalls vividly the financial turmoil in 1966 when interest rates reached record levels and the housing industry was plunged into a depression.

At this time last year, signs were pointing ominously to another tightening of credit and further setbacks for the housing market, just as it was on the verge of recovery. Today again astronomical interest rates threaten our savings and housing industries.

On no less than three occasions since 1950, the housing industry has been severely constricted as the Federal Reserve tightened credit to ward off inflation. In 1966 the cost of mortgage loans rose to the highest levels in 40 years, and the construction rate of new homes and apartments dropped 909,000 units for the year.

Mr. Chairman, this boom-and-bust cycle in the housing industry is intolerable. The Congress has an obligation to take positive steps to encourage stability in this vital sector of the economy. Before the year 2000, the increase in population and income will create a demand for new housing greater than all the housing built since this Nation was first colonized. In light of this, recurrence of the 1966 fiasco would be disastrous.

Unfortunately, Mr. Chairman, the effect of fiscal and monetary policies on the homebuilding and related industries is never discussed until they have been carried out and their impact is being felt. Decisions made by the Federal Reserve Board, the Bureau of the Budget, the Treasury Department, the Department of Housing and Urban Development, and the Federal Home Loan Bank Board can turn the volume of homebuilding up full blast, or reduce it to a mere trickle. But the Congress never debates these decisions until it is to late, until savings banks and savings and loan associations are teetering on the brink of insolvency, construction workers are laid off their jobs, and would-be homeowners are unable to find credit.

Fluctuations in the homebuilding industry do not occur by accident. They are the result of policies that have been planned and implemented, and as such, they can be anticipated. We can plan and anticipate far better than we have been doing, and the amendment I have offered will enable the administration and the Congress to do the kind of planning

that is necessary to achieve stability in homebuilding.

The thrust of this amendment is simple and straightforward. It is taken directly from legislation introduced by me in the 89th and 90th Congresses—House Joint Resolution 757—and joined in by my colleagues, Messrs, HANNA, DOW, ULLMAN, and WALKER. It directs the President to set an annual housing goal; to advise Congress how fiscal and monetary policies will be carried out to achieve that goal; and to recommend any additional legislation which may be necessary.

It gives the President a little leverage over the Federal Reserve Board to require it to publicly consider the consequences to homebuilding of its monetary policies. It also requires the administration to consider monetary and fiscal policies together in arriving at a homebuilding goal. Clearly use of interest rate adjustments alone to battle inflation is unsound and inequitable.

Had this legislation been in effect in 1966, Congress would not have been faced with taking emergency steps to bring the homebuilding industry out of a depression. We would already have deliberated and debated the administration's economic plans and outlook, and taken appropriate action to maintain stability.

It is late, but not too late to act, and I urge the adoption of the amendment.

Mr. REUSS. Mr. Chairman, I rise in opposition to the amendment.

Mr. Chairman, I wish that we could accept the amendment offered by the gentleman from New York, and the reason we cannot is not because it is not a good amendment, and not because the gentleman from New York [Mr. OTTINGER] has not labored long and hard this year and in years gone by to support the principle of this amendment. The reason we cannot accept the amendment is that it is already in the bill.

If the gentleman from New York will turn to pages 260 and 261, he will find the requirement of an annual housing report by the President by January 20 of each year in almost exactly the same language as that used by the gentleman from New York.

To have a slightly out-of-phase duplicate amendment back on page 2 would obviously create legislative confusion. Also, the section which the gentleman from New Work has sought to amend is a declaration of policy, and I believe would not be the proper repository for the excellent amendment which the gentleman has offered, and I am wondering therefore, if in view of what the committee has done, the gentleman from New York might see fit to not press forward with his amendment.

Mr. OTTINGER. Mr. Chairman, will the gentleman yield?

Mr. REUSS. I yield to the gentleman from New York.

Mr. OTTINGER. Mr. Chairman, I will have to admit to have been unaware of this provision the committee adopted.

Mr. REUSS. The gentleman need not reproach himself, since pages 260 and 261 are very far along in the bill, but it is there, and I do believe it meets the point raised by the gentleman in his amendment.

Mr. OTTINGER. Reading this over, do I correctly assume that it is the intent of the committee that the President, after receiving the report of the Secretary of Housing and Urban Development, would set the monetary and fiscal requirements for achieving the annual housing objectives as well as just the number of units required? I think it is important that the President should be required to set monetary and fiscal objectives that would be beyond the scope of the Secretary of HUD.

Mr. REUSS. In reply to the inquiry of the gentleman from New York, I would say "Yes," and what the committee has done, specifically, is to ask for the recommendations of the President—and here I quote—"of the legislative and administrative actions necessary to achieve the 10-year goal."

Mr. OTTINGER. Mr. Chairman, I thank the gentleman from Wisconsin for his explanation, and I ask unanimous consent to withdraw the amendment.

The CHAIRMAN. Is there objection to the request of the gentleman from New York?

There was no objection.

Mr. CHARLES H. WILSON. Mr. Chairman, will the gentleman yield?

Mr. REUSS. I yield to the gentleman from California.

(Mr. CHARLES H. WILSON asked and was given permission to revise and extend his remarks.)

Mr. CHARLES H. WILSON. Mr. Chairman, I rise in support of the legislation.

Mr. Chairman, first of all, I want to commend the distinguished chairman of the committee, the gentleman from Texas [Mr. PATMAN], and the very able and distinguished chairman of the Subcommittee on Housing, the gentleman from Pennsylvania [Mr. BARRETT] and the able members of the committee for bringing forth what I consider a landmark bill.

The bill has many significant and worthwhile parts, but I think the most important aspect is that for the first time we are really facing up to the magnitude of the housing and urban problem. I know that much important legislation has been enacted in the past and it has been sound legislation. It has also been valuable for the people it has helped and the experience it has given, but it has been inadequate to stop the spread of blight and slums in our cities and rural areas and to provide the housing needed to meet the national housing goal enunciated by the Congress in 1949 of "a decent home and a suitable living environment for every American family."

Now I do not know whether 10 years hence will see the eradication of slums replaced by decent housing for all American families, but at least here is a sincere and realistic effort in that direction. As the distinguished gentleman from Texas indicated, this bill is part of a 10-year program to make available 6 million additional dwelling units, with various kinds of Federal assistance, for those low and moderate income families who cannot now afford decent housing. The Federal Government has been trying to help these people house themselves for over 30 years, but this program represents a vast increase over all previous efforts.

In the previous decade, less than 600,000 units were constructed or rehabilitated with public assistance, and most of these units were assisted under the low-rent public housing program. This is about 4 percent of total housing starts and rehabilitation over the same period, which exceeded 14 million units. That this is not enough is plain from the fact that almost 6 million substandard units are in the housing supply, that millions more are overcrowded, that 15 million American families have incomes so low as to make it very difficult and in many cases impossible for them to find decent housing they can afford.

I am heartened by the President's 10-year housing goals, which call for nearly double the total number of housing starts and more than a tenfold increase in the number of assisted units and fivefold increase in the proportion of assisted units to total units. These goals are set out in title XIII of this bill, thus giving a statutory mandate to carrying out this most urgent task.

The able members of the committee have care fully weighed such key factors as the availability of mortgage credit, the capacity of the construction industry, and the impact on the economy, in devising the maximum practicable housing goals. I think, all things considered, that these are splendid goals, and if we we went so far in other areas to help the disadvantaged, a great deal of our urban decay would be eliminated.

The specific provisions and programs in the bill appear to be carefully drawn and well balanced. The new emphasis on homeownership is a real breakthrough which I fully endorse, along with the many other features of this excellent bill. It is my sincere hope we can pass this great piece of legislation as it came from the committee and without curtailing its effectiveness with unnecessary and crippling amendments.

AMENDMENT OFFERED BY MR. ANDERSON OF ILLINOIS

Mr. ANDERSON of Illinois. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. ANDERSON of Illinois: On page 17, following line 3 add a new subsection (1) as follows:

"(1) Notwithstanding any other provision of this section, no assistance payments authorized to be contracted under this section shall be made on behalf of any family whose income exceeds 130 per centum of the maximum income limits which can be established in the area, pursuant to the limitations prescribed in sections 2(2) and 15(7)(b)(ii) of the United States Housing Act of 1937, for occupancy in public housing dwellings."

(Mr. ANDERSON of Illinois asked and was given permission to revise and extend his remarks.)

Mr. ANDERSON of Illinois. Mr. Chairman, we have traveled a long road since passage of the Housing Act of 1949 with its brave goals of a decent home and a suitable living environment for every American. As the road to perdition is paved with broken promises, it seems that the road to better housing has been littered with unfulfilled expectations and

disappointed dreams. For there are those who estimate that one-fifth of our people are still ill housed.

Fifteen years after a Presidential advisory committee announced a need for replacement or rehabilitation of 6.8 million units, we hear a current estimate of some 6 million substandard housing units. In the last 15 years the sum total of urban renewal has been the completion of 148,468 new once rehabilitated dwelling units completed in designated urban renewal areas. Instead of completing 810,000 public housing units as was authorized almost 20 years ago, as of February of this year less than 700,000 or 681,020 public housing units were occupied and under management with an additional 49,417 under construction.

So when we hear the bold new targets of 26 million housing units in total over the next decade, almost double the actual figure reached in the preceding decade, of which 6 million units are to be for low- and moderate-income families we have a right to be wary.

If we have not attained our goals in the past what new magic formula has been devised. And I remind you that when you dash the aroused hopes of an ill-housed segment of our population that their dream of adequate housing is finally going to be established you do far more than trifle with their future political affections, you sow the seeds of disillusionment and despair that can erupt into what has become the agony of our cities. The revolution of rising expectations is not confined to the developing nations of the eastern and southern hemispheres. It is right here as well.

Mr. PATMAN. Mr. Chairman, if the gentleman will yield, we would like to see the gentleman's amendment. Do you have a copy available?

Mr. ANDERSON of Illinois. Yes; there is a copy available.

My criticisms therefore of sections 101 under title I and 201 under title II are that they promise too much to too many, and as a result we will simply see a repetition of the now monotonous pattern of dashed hopes and disappointed dreams. Why do I say that? Because it is only too clear that under the discretionary authority of the Department of Housing, Urban and Development to set maximum permissible income limits you are holding out the hope to about 70 percent of the American people that the U.S. Government is going to be able to subsidize its shelter costs.

The hearings make it abundantly clear that income limits are going to be established administratively as is presently done under the FHA section 221(d)(3) program. Let me quote from pages 863 and 864 of the hearings. Nowhere, I repeat. Nowhere, is "low and moderate income" defined.

I can quote to you from pages 863 and 864 of the hearings to that effect where Mr. McGrath said, and I quote:

> Let me add, Mr. Widnall, that I think we would expect the income maximums, of course, to be set by the Secretary under the bill; that is, there is no statutory limitation applied, but we would expect them to be either at the 221(d)(3) level, in some places, or at 70 percent of the 221(d)(3) level in other places.

In many communities 221(d)(3) limits extend well beyond $8,000 per year for families with one minor child. For example in Rockford, Ill., in my congressional district, a family with one child earning $7,950—which is well above the median income in the State of Illinois—is entitled to admission in 221(d)(3) projects. Therefore, it is a perfectly valid assumption that this family would be eligible for the new programs provided in the bill.

There are many communities, and if I had the time—and I will later—put into the RECORD the lists that I have from the Department of Housing and Urban Development showing what the 221(d)(3) maximum permissible income limits are.

There are many communities where this extends well beyond the $8,000 a year even for a family with one minor child.

Yet, there are 13 million poor families earning less than $5,000 per year looking for assistance in obtaining decent housing. Yes, 13 million families. Should they not be our first concern? Should we not see the absolute essentiality of establishing some priorities within our housing programs? Oh, yes; I am familiar with all the counterarguments. We must have flexibility. Let the income limits be the function of the mortgage and such regulations as the Secretary may administratively determine.

Oh, yes; Secretary Weaver in his testimony talks about limiting the homeownership provisions of new section 235 to families in an income range of $3,000 to $5,000 or $6,000 a year:

> These are the limits where we believe most of the families to be served would be concentrated. (Page 184 of the hearings.)

And the estimate of Mr. Ross of Secretary Weaver's staff was that in 1966 you had about 11 million families that fell between $3,000 and $6,000 income, and another 4½ million families between $6,000 and $7,000. This is our target, not families above the median income.

Mr. Chairman, if these poor families are not going to be reached it is cruel and dishonest to masquerade behind a label. If the housing units to be produced under these programs are not going to be marketable unless we boost maximum permissible income limits to $8,000, $9,000, $10,000, let us say so. Do not call it a program for poor people. To suffer this delusion is to merely court a repetition of the failures of the past.

So what do I propose to do with my amendments to new sections 235 and 236 to the National Housing Act? I merely propose to discharge our proper legislative responsibility of setting maximum permissible income limits at 130 percent of the income limits prevailing in a community for the occupancy of public housing. This permits both geographic and administrative flexibility, but it does blanket in 70 percent of our population. It rifles in on the poor. They should be our target.

I refuse to believe that this House, that this Committee wants to shut off the dreams and the hopes of the truly underprivileged people of this country.

The CHAIRMAN. The time of the gentleman from Illinois has expired.

(By unanimous consent, Mr. ANDERSON of Illinois was allowed to proceed for 5 additional minutes.)

Mr. ANDERSON of Illinois. Mr. Chairman, I refuse to believe that we want to dash the hopes and the dreams of these families making less than $6,000 a year that this bill is not for them. You know, there are so many examples that I could give you this afternoon of some of the deception that I think has been practiced under some of the housing programs that we have already on the books. I brought with me this afternoon a clipping that I took from a Washington newspaper only a few days ago with the headline "569-Unit Low-Income Housing Project Planned Here in the District of Columbia."

Well, now, that sounds mighty fine, does it not? It sounds like we are rushing down to get to the people that we ought to be helping. And yet if you read the fine print in the story, if you go past the headlines, this is what you find: That out of that 569-unit low-income housing project, exactly 92 families now in an income bracket that qualifies them for public housing will be eligible for that project—92 families out of 569 are going to reap the benefits of low-cost housing.

So the trouble is that when we talk in general and ill-defined terms, as we do in this bill, about low-income and moderate-income housing, we are not talking about very much low-income housing. We are talking about a lot of moderate-income housing.

I read the testimony of the National Association of Home Builders, about how the amount of the subsidy ought to be the function of the mortgage and let us give administrative flexibility to the Secretary, and all of that. But this is a bill that ought to be written for the poor people of this country, not the Home Builders Association or any other group.

Mr. CAHILL. Mr. Chairman, will the gentleman yield?

Mr. ANDERSON of Illinois. I yield to the gentleman from New Jersey.

Mr. CAHILL. As I read the bill, I am disturbed that there is no limit on the amount of interest that could be charged. I am wondering if this subsidy of what really amounts over all to 1 percent would not put pressures on to increase interest rates, and would not therefore make it more difficult for the middle-income purchaser who was not eligible for subsidies to obtain a mortgage.

So, therefore, as the gentleman has well pointed out, unless we do establish priorities, and unless we limit the subsidy, we are going to find that the people who really want to go out and mortgage their homes on their own would find it almost impossible to get mortgages.

Mr. ANDERSON of Illinois. I thank the gentleman from Illinois for his contribution. I think he has made a valid point.

Let me hurry on to tell you exactly what I propose to do with the amendment I have offered to section 235. In that amendment I merely propose to discharge what I think is the proper legis-

lative responsibility of this Congress to set the maximum permissible income limit for the families that will be eligible for this new home ownership program at 130 percent, the 130-percent-income limit that now prevails in the community for the occupancy of public housing.

You can make that much more than the occupant of public housing and still be eligible for the program under section 235. This, I believe, would give administrative flexibility to the Secretary. There are variations, as you all know, from area to area in the country in the maximum permissible income limits for public housing occupants. So there is not just one figure across the board. We take into consideration that there are differences in various geographic areas of our country.

And yet I think rather than leaving this term "moderate low and moderate income" completely undefined, we should put into the bill a formula. I would remind you that the other body put into the legislation that they passed a different formula. They would peg the maximum permissible limit at 70 percent of the 221(d)(3) limit. I think the formula I am suggesting in the amendment is superior. I think we know on the basis of long experience just what these public housing ceilings are, and I think certainly if we give this a flexibility of 130 percent to the Administrator, that this is a program that can work.

Let me remind those who say this would destroy the great purpose of this program, if this program is not really going to help the low income people of this country, then let us not be out here on the floor today trying to fool them and make them believe it is going to work. Let us not put a label of "low and moderate income" on a program, when we really mean moderate income with maybe a few crumbs off the table for the truly low income people of this country. That is unfair. It is dishonest.

I would suggest only if we adopt this clarifying amendment will we really put some meaning and teeth into this particular provision of the bill.

Mr. REUSS. Mr. Chairman, I rise in opposition to the amendment.

Mr. FRASER. Mr. Chairman, I make the point of order that a quorum is not present.

The CHAIRMAN. The Chair will count.

Ninety Members are present, not a quorum. The Clerk will call the roll.

The Clerk called the roll, and the following Members failed to answer to their names:

[Roll No. 236]

Bell	Hansen, Idaho	Passman
Brademas	Hardy	Pepper
Brown, Calif.	Hawkins	Rarick
Cederberg	Heckler, Mass.	Resnick
Corman	Jones, Mo.	Satterfield
Evans, Colo.	Karsten	Stafford
Evins, Tenn.	Landrum	Tunney
Foley	McCulloch	Van Deerlin
Gardner	McMillan	Waggonner
Halleck	O'Hara, Ill.	Willis

Accordingly the Committee rose; and the Speaker having resumed the chair, Mr. PRICE of Illinois, Chairman of the Committee of the Whole House on the State of the Union, reported that that Committee, having had under consideration the bill H.R. 17989, and finding itself without a quorum, he had directed the roll to be called, when 402 Members responded to their names, a quorum, and he submitted herewith the names of the absentees to be spread upon the Journal.

The Committee resumed its sitting.

The CHAIRMAN. The gentleman from Wisconsin [Mr. REUSS] is recognized.

Mr. REUSS. Mr. Chairman, I rise in strong opposition to the Anderson amendment.

Let us just see what this amendment does. The Anderson amendment is attached to the Percy-Widnall-Patman-Barrett-Sullivan homeownership provision. That is the provision which is designed to see that low- and near-low-income people should not be condemned to the one alternative of public housing, but should have an opportunity to acquire the dream of American homeownership.

The Anderson amendment seeks to place a limitation on that. It in effect says that the only people who can take advantage of this section are paupers plus 30 percent. The people who live in public housing have an income level of $3,000 to $3,500. If you take 30 percent of that, that is another $1,000 or so, an income of around $4,000.

If you adopt the Anderson amendment, you will be taking the Percy-Widnall bill, which I believe every Republican Senator in the Senate cosponsored, and which 114 Republican Members in this body cosponsored, and throwing it out of the window. You will be doing that because this homeownership program is aimed at the family with an income around $5,000, $6,000, or possibly $7,000 a year. Unless you beam it at moderate-income people like that, you are beaming it at nobody, because a pauper cannot own a home. It does not make economic sense. He cannot pay off his mortgage. He cannot pay his taxes. He cannot pay for the repairs. He cannot pay the insurance.

This is designed to help the larger family, the family displaced by an urban renewal project or by a freeway or by a park, the family in a larger city where construction costs are high. However, well intentioned the Anderson amendment may be, it would have the effect of telling Senator PERCY and Congressman WIDNALL and the leadership on the majority side that their homeownership program is out the window, because the only people the Anderson amendment is willing to give homeownership to are those paupers plus 30 percent who should not be owning a home because they cannot maintain the payments.

The gentleman from Illinois has talked about cruel hoaxes, about unfulfilled expectations, broken dreams, fractured bubbles, and so on. The greatest broken dream of all history would be the Percy-Widnall homeownership provision if it is clobbered by a Republican amendment.

So, while I have no fears that on the majority side we will vote down this amendment, I urge the 114 Republicans who are cosponsoring the Percy-Widnall amendment to think twice before they ruin a really excellent bipartisan, truly American homeownership program to help the moderate-income guy own a home for a change.

Mr. ANDERSON of Illinois. Mr. Chairman, will the gentleman yield?

Mr. REUSS. I yield to the gentleman from Illinois.

Mr. ANDERSON of Illinois. Does not the gentleman think it is necessary in our housing programs to assign priorities, and that it would be better to start to help the 13 million families in this country who make $5,000 a year or less first before we go to the $9,000- or $10,000-a-year families? Does that not make some sense?

Mr. REUSS. We are not going to the $9,000- or $10,000-a-year group. We want to take into account the need of the moderate-income people, the $5,000- or $6,000-a-year people, for housing, and we on this side, and I assume the 114 Republicans who support the Widnall amendment, believe in homeownership. We think a man who owns a home is not likely to burn it down. We want to help worthy people to develop their own equity in their own home, and that means we have to put some substance in this bill for those who are somewhat beyond the pauper level, and that is why this is not just a low-income housing bill but a moderate-income housing bill, and the gentleman would make a mockery of the homeownership provision, unintentionally, I grant you, by saying you have got to be a pauper plus 30 percent or you cannot come in.

(Mr. BROCK asked and was given permission to revise and extend his remarks.)

Mr. BROCK. Mr. Chairman, I move to strike the requisite number of words.

Mr. Chairman, I never cease to be amazed at the argument of people who talk so much in their districts about helping the poor only to come on the floor and oppose an amendment which would require that Federal funds go to the people we are supposed to be helping.

The whole thrust of the Anderson amendment is to require HUD to put the money where their mouth is and give assistance to the low- and low-moderate-income families.

The gentleman from Wisconsin talks about incomes of $5,000, $6,000, and maybe even $7,000, but he cannot deny that under the existing HUD authorization program, families in New York can have an income of $10,000—or $10,050 to be specific.

Mr. REUSS. Mr. Chairman, will the gentleman yield?

Mr. BROCK. I yield to the gentleman from Wisconsin.

Mr. REUSS. Mr. Chairman, the gentleman is talking about the 221(d)(3) program, which does provide rental units largely in high-cost cities like New York. That has nothing to do with the amendment of the gentleman from Illinois [Mr. ANDERSON] which goes to homeownership. We cannot own a home in a high rise apartment under normal circumstances. What we are talking about is some people who can carry homeownership by making monthly payments on principal and interest, making repairs, paying insurance, and keeping up a home. That is what homeownership is.

We have to have moderate-income people in order to do that. That is what the bill is all about.

Mr. BROCK. Mr. Chairman, it seems to me the gentleman is missing one of the most pertinent points. From year to year to year this Congress has tried to design programs to help the low-income family with public housing or with rent supplements, and so on and on and on. Each year we review the programs and find out that HUD has given the help to moderate-income families. Then we try to write restrictions into the legislation, and each year they find a way to go around the intent of the Congress.

We are not trying to say there is a $5,000 ceiling on income. The gentleman did not suggest it, and I do not think I would support it either, because there are varying costs and varying problems in each locality. But the gentleman does say it should be at 130 percent of the public housing standard, which gives a varying standard by area according to the cost in the area.

That to me is a pretty sensible approach. I do not understand why we cannot tell HUD once and for all to orient their program to help the people who need the help. That is all we are trying to do. It does seem rather amazing to me that every time we get into one of these fights, the gentlemen on the other side of the aisle seem to be opposed to Congress accepting the responsibility of a legislative branch and writing in specific standards. You always seem to want to oppose any restriction of HUD's authority.

But the fact of the matter is that HUD has failed and failed and failed again. The fact is that they apparently do not have either the desire or the competence to help these people. It is about time Congress asserted a little bit of responsibility and said, "This is where we are going to spend the money, because this is where the need is."

Mr. ASHLEY. Mr. Chairman, will the gentleman yield?

Mr. BROCK. I yield to the gentleman from Ohio.

Mr. ASHLEY. Mr. Chairman, I suppose it is fair to lambaste the Department of Housing and Urban Development under some circumstances, but when we say that they have miserably failed in their efforts to assist the low-income families, I wonder if this is entirely fair? After all, it is this body and the Senate which authorize the housing programs, and if we go back through the years, we will find very substantial opposition, not just to subsidized housing, but to public housing and every single housing program that has been advanced. The 221(d)(3) did not come in as a lower-than-market interest rate program. It came in as a market rate program because that was all we could get through the Congress. So I do not think it is entirely fair to place the onus of responsibility and burden of failure entirely on HUD. We do have Members of this body who vote against every single housing program that has been advanced. So let us look to ourselves a little bit for the burden of responsibility.

The CHAIRMAN. The time of the gentleman from Tennessee has expired.

(By unanimous consent, Mr. BROCK was allowed to proceed for 5 additional minutes.)

Mr. BROCK. Let me make this one point. The program we are talking about is a Republican program, the Percy-Widnall homeownership program. Better than 60 percent of the Members of the minority in this body have cosponsored that bill.

All we are trying to do is to see that it is not perverted or prostituted by people in HUD who would like very much, I am sure, to say, "We have so many units constructed."

It is easy to present large figures of construction for moderate-income families, because they do not cost as much, and they do not require as much work.

The point is that the very people we are trying to help require a little extra effort, and that is where we are trying to point the program.

Mr. BARRETT. Mr. Chairman, will the gentleman yield?

Mr. BROCK. I yield to the gentleman from Pennsylvania.

Mr. BARRETT. I want to point out, as the gentleman from Ohio said a few moments ago, this has nothing to do with homeownership. The gentleman is talking about the Percy-Widnall program, in the Homeownership Foundation. We are talking about homeownership in title I.

I am quite sure the gentleman from Illinois would not want to do this any more than I want to do it. This bill is to cover a broad spectrum of everybody who needs housing. There are 6 million people living in substandard housing. We are asking to move forward on this in the next 5 years, so that we can put at least 2.5 million of those people in standard housing.

Mr. BROCK. The gentleman's figures are not entirely correct. There are more than 8 million families living in substandard housing. Six million have less than $4,000 income a year.

These are the people we are trying to help. That is all the amendment tries to do.

Mr. BARRETT. Will the gentleman yield further?

Mr. BROCK. Very briefly.

Mr. BARRETT. If the gentleman's amendment were to carry, we would deny to some 2.5 million people the opportunity to be homeowners under this bill.

Mr. BROCK. I am absolutely amazed. I do not yield any further, because I am amazed by that statement. It is simply not true. I will not argue the point further.

Mr. BARRETT. Let me explain, so that the gentleman will not be amazed.

Mr. BROCK. On the substandard units, there are 6 million families who have incomes of less than $4,000, and 1.8 million families under $8,000. That covers 90 percent of all substandard housing.

This amendment would not take away one prospective unit from those families, and the gentleman knows it full well, if he has read the amendment.

Mr. JONAS. Mr. Chairman, will the gentleman yield?

Mr. BROCK. I yield to the gentleman from North Carolina.

Mr. JONAS. I am puzzled by the inconsistency of the argument advanced by the gentleman from Pennsylvania when compared to the statement made by the gentleman from Wisconsin. Is this the Percy-Widnall approach or not? The gentleman from Wisconsin said it was, and the gentleman from Pennsylvania says it is not.

Mr. BROCK. The gentleman from Pennsylvania, along with a lot of other gentlemen in the Congress, have decided they like this homeownership concept and have adopted it, but it is a Republican program.

I am delighted that they support the concept. I do not care whether it is called the Percy-Widnall approach or title I. The fact is it is a proposal which emanated from the minority, and I hope the gentleman will give the credit where credit is due.

Mr. BARRETT. Mr. Chairman, will the gentleman yield further?

Mr. BROCK. I yield to the gentleman from Pennsylvania.

Mr. BARRETT. I do not want to take credit away from the gentleman from New Jersey [Mr. WIDNALL], nor do I want to take credit away from Senator PERCY, but I do have to point out that the gentlewoman from Missouri inaugurated this amendment to give homeownership to those people.

Mr. BROCK. Let me finish by saying, quite simply, I do not care who offered the bill. I do care where the bill goes. I do care who benefits from it.

It seems to me to be of paramount importance that we talk about directing this bill toward the purpose of helping those people who have no prospects for helping themselves. That is the thrust, the purpose, and the objective of the amendment.

Mr. ASHLEY. I know that the gentleman is motivated by a desire to establish a system of priorities which will result in providing shelter for those who need it the most, but does it not strike you that there is a bit of discrimination involved in this amendment? We say, or the amendment says, that we shall limit the program to families having an income equivalent to that of $3,000 a year plus 30 percent or $3,900.

Mr. BROCK. No. Let me give you the figures. In Baltimore, Md., it would be $4,700; in Los Angeles it is $5,600; for Minneapolis it is $5,600; and for New York it is $7,500. That is not an inordinate restriction.

The CHAIRMAN. The time of the gentleman has again expired.

Mr. ASHLEY. Mr. Chairman, I move to strike the requisite number of words.

Mr. Chairman, I would like to ask the sponsor of the amendment several questions. I am curious about whether or not we are, in an effort to establish priorities, in effect denying the opportunity for decent shelter to a very substantial segment of our society that has an income of more than 30 percent above public housing but below what is necessary in order to obtain decent shelter on the private market.

Mr. ANDERSON of Illinois. Mr. Chairman, will the gentleman yield?

Mr. ASHLEY. Yes. I am glad to yield to the gentleman.

Mr. ANDERSON of Illinois. Mr. Chairman, I think I can answer the gentleman's question by referring to the statements on page 343 of the report where it says that 75 percent of the substandard homes are occupied by families with incomes of $4,000 or less. Thus this indicates that those families with incomes of $5,000 and under occupy most of the necessary substandard housing. That is where the problem is. This is why we are trying to impose a maximum income ceilin that puts HUD and whoever is in charge of administering the program in a position rather than going out to play the numbers game and saying, "Look, we built so many units of housing without respect to whether they are for the people who need them most," where they are forced to pay attention to the fact that substandard housing is occupied by families making $5,000 or $6,000 a year.

Mr. ASHLEY. I wonder who is playing the numbers game here. Your amendment suggests that maybe you are, because what you are saying is that in a community if the public housing income limit is $3,000 a year——

Mr. ANDERSON of Illinois. Will the gentleman yield?

Mr. ASHLEY. Not yet.

Mr. ANDERSON of Illinois. This is not in accord with the facts. You talk about $3,000. I have a table here which shows in some cities it is as high as $7,500 a year for a man and his wife.

Mr. ASHLEY. I appreciate the fact that public housing incomes vary. My hypothetical was based upon a community in which the public housing maximum income is $3,000 a year. The effect of your amendment would say that homeownership shall be allowed only to those families earnings $3,900; that is 100 percent of the public housing income plus 30 percent or $3,900. Query: What about the family earning $4,200 a year?

Mr. ANDERSON of Illinois. It was just called to my attention, if the gentleman will yield further, that in the gentleman's own home community of Toledo, Ohio, you can occupy public housing and have an income of $5,500 a year. My amendment simply says you can make 30 percent more than that and still be eligible under this program under section 235. I am not talking about just paupers.

Mr. ASHLEY. But you are excluding where exclusion, it seems to me, is unnecessary. You are excluding families who are just beyond the public housing limit plus 30 percent. You are excluding them, and I say——

Mr. ANDERSON of Illinois. Will the gentleman yield?

Mr. ASHLEY. No; I will not yield.

Mr. ANDERSON of Illinois. We will not rifle in on the target if we do not do that. If we start spreading our shot all over the landscape and guarantee shelter subsidies to 70 percent of the people of this country, we will not be able to furnish it to those who need it the most.

Mr. ASHLEY. You say exclusion is necessary and hence the reason for your amendment. I say it is not necessary for two reasons. The first is that annually this program will be funded through the appropriation process so that there will be direct control. Second, preference is given to large families, families displaced by urban renewal and other governmental activities, and families in public housing.

So clearly a priority or preference is established for these categories of families. And we do have the ability each year through the appropriations process to determine who we are providing shelter for and at what cost.

Mr. ANDERSON of Illinois. Mr. Chairman, if the gentleman will yield further, the time to determine that is now. We are writing the basic authorizing legislation. It is there where the standard ought to be imposed. We are operating in the field of the never, never land if we do not look at this problem in this perspective.

Mr. ASHLEY. But I say the standard has been imposed in the basic statute in the order of preference, and the appropriation process. Your amendment would exclude millions of American citizens who are hard working but who are above the 130 percent income level of public housing but who are excluded from access to decent housing on the private market.

The CHAIRMAN. The time of the gentleman from Ohio has expired.

Mr. HARVEY. Mr. Chairman, I move to strike the requisite number of words.

(Mr. HARVEY asked and was given permission to revise and extend his remarks.)

Mr. HARVEY. Mr. Chairman, I have been very reluctant to get into this discussion here. I do not pretend to have the knowledge of the housing bill which is now pending before us that I perhaps had a few years ago when I did serve on this particular committee.

But, Mr. Chairman, I have heard bandied about this afternoon the word "pauper" and discussion of the limitations of low-income public housing. I think that there has been considerable inaccuracy in this regard.

Mr. Chairman, I have in my hand here the public housing income limitations for areas all across the United States.

With reference to public housing units in the city of New York, a family of six people—a mother, father, and four children—could have an income just under $7,500, and comply with the income limitations. The amendment which has been offered by the gentleman from Illinois [Mr. ANDERSON], would add 30 percent to that.

Mr. Chairman, this means that the income limitation would be even higher for this program, to the extent of almost $2,500 for a total of $10,000 a year.

Mr. Chairman, it seems to me that this is a reasonable degree of flexibility that we are giving here to the Secretary in this instance.

There are many other areas which I could cite, such as Syracuse, N.Y. The limit there for a family of six persons is $6,500 a year, and there again you can add 30 percent to that and still be eligible for this homeownership program. This is reasonable flexibility.

I have to differ with my colleagues on the other side of the aisle who are so fearful of the new limitation to be imposed. And I would say to the Members of the House this: I have a very vivid memory with regard to the subject of income limitations in connection with the rent supplement program which came before us in 1965. At that time you will recall that the administration had no income limitation and they had no real asset limitation in the regulations. This body on that day defeated that bill. We said "We do not want the rent supplement program unless there is written into it some limitation so that it will be directed to the poor people of America."

Mr. Chairman, this body rejected the rent supplement program on that occasion. Finally, after the regulations were revised, and it was limited to the poor, they came back and passed it later on.

I saw my good friend a few moments ago, who served on the committee with me at that time, BOB STEPHENS of Georgia. I can remember when he had written in the law, on the floor of this House, a limitation that the rent supplement program itself could not exceed the limit of public housing.

The amendment offered by the gentleman from Illinois is not that harsh. He recognizes that here we are talking about homeownership, and he says we will give them an additional 30 percent over and above the limits of public housing. It just seems to me, Mr. Chairman, that this is a very reasonable area of flexibility. For that reason, Mr. Chairman, I certainly want to urge the Members on my side of the aisle, and on the other side of the aisle, who are truly concerned with endorsing a program that will help those who really need it, the truly low-income groups, to vote for the amendment offered by the gentleman from Illinois.

Mr. ANDERSON of Illinois. Mr. Chairman, will the gentleman yield?

Mr. HARVEY. I yield to the gentleman from Illinois.

Mr. ANDERSON of Illinois. Mr. Chairman, I have just located that portion of the testimony of Secretary Weaver before the Committee on Banking and Currency when this program was being discussed, and he was asked this question:

Mr. BROWN. Mr. Secretary, in the homeownership provision under section 235 and so on, you have mentioned the term "low and moderate income."

What range are you talking about there?

Secretary WEAVER. Primarily I am talking about a range from $3,000 to $5,000 or $6,000 a year. Obviously these figures vary from locality to locality. In certain localities, they become somewhat higher. In other localities, they are somewhat lower.

Mr. BROWN. Then basically you are saying between three and six. Three is the bottom and six is the top?

Secretary WEAVER. These are the limits where we believe most of the families to be served would be concentrated.

That is all we are seeking to do with this amendment, that is all we would do with this income ceiling of 130 percent of the public housing standards.

Mr. HARVEY. Let me say briefly to the gentleman from Illinois that this was precisely the case when the rent supplement program was before us as well. I have the greatest admiration for Dr. Weaver, but he came in at that time and

very honestly said that the rent supplement program then was directed at moderate income groups. This House decided not to accept a program so directed. Mr. Chairman, I have supported low-income housing, the rent supplement program, and I expect to support this bill but the gentleman from Illinois has a good point, that this program of homeownership should also be directed at the poor.

Mr. PATMAN. Mr. Chairman, I wonder if we can agree upon a limitation of debate? It seems to me like a good many Members have spoken on this.

Mr. Chairman, I ask unanimous consent that all debate on this amendment and all amendments thereto close at 2:15 p.m.

The CHAIRMAN. Is there objection to the request of the gentleman from Texas?

Mr. ERLENBORN. Mr. Chairman, I object.

The CHAIRMAN. Objection is heard.

Mr. PATMAN. Mr. Chairman, I ask that all debate on this amendment and all amendments thereto close at 2:30 p.m.

The CHAIRMAN. Is there objection to the request of the gentleman from Texas?

Mr. CAHILL. Mr. Chairman, I object.

The CHAIRMAN. Objection is heard.

Mr. PATMAN. Mr. Chairman, I move that all debate on this amendment and all amendments thereto close at 2:20 p.m.

The motion was rejected.

Mr. CAHILL. Mr. Chairman, I move to strike the requisite number of words.

Mr. Chairman, while I am not a member of the Committee on Banking and Currency, I do have an abiding interest in housing, and I could not help but question what the distingiushed gentleman from Wisconsin [Mr. REUSS] said when he indicated that this was the Percy-Widnall bill, because if I underestand the Percy-Widnall bill correctly, this legislation is a far cry from the Percy-Widnall bill.

That bill created a quasi-public corporation with debentures sold to raise the money and the bonds were guaranteed by the Government. This bill returns the funding to the private banking interests of the country. There are many other differences in the two bills.

Now, the name of this bill is the housing bill. It is not the bankers' bill; it is not the savings and loan bill; it is not the builders' bill—but it is the housing bill, Mr. Chairman, the object of this bill is to build houses where they are most needed for our fellow citizens who need them the most.

And do all of us fully understand that we are subsidizing this housing to the tune of $100 million in 1 year? And that we are paying interest for the borrower of the mortgage money in excess of 1 percent of the amount of interest charged? Considering that interest rates in my State and perhaps in every State of this Union today is 7 percent, we can readily conclude that we are subsidizing 6 percent of the amount of the mortgage.

I have been in this Congress for 10 years and I voted, I think, for practically every housing bill. I still find people in all parts of the country that really need the housing and cannot buy it—they cannot get it—it is not available.

Who are those people? You know who they are. They are the minority groups and the low-income groups who do not buy an existing house because nobody will sell to them. They cannot borrow the money to build a house because nobody will lend it to them. They desperately need a home and the pride that goes with homeownership.

They are people who are living in the three-story row houses and the substandard houses and apartments where three, four, and five families are living together and whose kids are sleeping five in a room. We wonder why they are dropping out of school. We wonder why they have problems. We wonder why they cannot do better.

Yet what we are going to do is to insure that the builders can build more houses the needy cannot afford, that the banks can lend more mortgage funds, and that suburbia, USA, will have more $15,000 and $20,000 homes but no houses will be built in the cities.

I think it is about time that we recognized that if we want a housing bill that is subsidized by the U.S. Government, we had better start where the need is the greatest.

That is what we did in health insurance. In the field of health insurance, we did not give health insurance to everybody. We did not give health insurance to those who were over 50 years of age. We started where the need was the greatest. If we can afford to do better than the limitation provided in the Anderson amendment, certainly we should do it. But let us start where the need is greatest.

I think we have to start where the houses are needed. We must go in the cities where houses are not being built and where the need is absolutely essential.

The most important thing in any man's life is his home. If we do not provide a way in this bill under this subsidy to let the minority and needy groups in this country get housing, we should not subsidize housing with Federal funds.

I say to you—this is the way to start.

I certainly want to support the amendment offered by the gentleman from Illinois.

Mr. BARRETT. Mr. Chairman, will the gentleman yield?

Mr. CAHILL. I am delighted to yield to the very distinguished and able chairman of the subcommittee whose contribution to housing in this country is monumental.

Mr. BARRETT. I just want to ask the gentleman a question.

I know that he does not want to be harsh with anybody. But he certainly does not want to deprive 2½ million families—those families who have five, six, and seven and eight children, from getting an opportunity to buy their own home. If we should adopt the amendment offered by the gentleman from Illinois, this is what is going to happen. It will exclude that many people and I want to say to the gentleman, it will destroy this bill. I do not think the gentleman from New Jersey wants to do that.

The CHAIRMAN. The time of the gentleman from New Jersey has expired.

(By unanimous consent (at the request of Mr. BARRETT) Mr. CAHILL was granted 1 additional minute.)

Mr. CAHILL. Mr. Chairman, if the gentleman's argument is sound, and if we are depriving 2 million people by reducing the income, then why do we not increase the income and add 5 million more?

Mr. BARRETT. It is very hard even to get to the level that we are after—rather than ask for an increase. That is a very hypothetical question.

Mr. CAHILL. I think the gentleman has answered the question. I think if we are going to get housing for the low-income people who need it most, we ought to spend our money for that group first and then come back.

Mr. BARRETT. Let me tell the gentleman what we are aiming for in this bill and particularly in title I.

It is to give the low- and moderate-income people and those families who have a large number of children an opportunity to buy homes. That is simply what it does.

Mr. CAHILL. Under this amendment, 28 percent of families in the United States will be eligible. That is a reasonable and logical start in the field of housing.

Mr. WILLIAMS of Pennsylvania. Mr. Chairman, I move to strike the requisite number of words.

The CHAIRMAN. the gentleman from Pennsylvania is recognized for 5 minutes.

(Mr. WILLIAMS of Pennsylvania asked and was given permission to revise and extend his remarks.)

Mr. WILLIAMS of Pennsylvania. Mr. Chairman, the amendment offered by the gentleman from Illinois is a very sound and practical amendment.

We have heard some talk here that perhaps the amendment will discriminate against someone. Let me say to you that this amendment is going to discriminate in favor of the people in this country who need assistance. We are not talking here about the National Home Ownership Foundation, because that is covered later in title I. What we are talking about here is mortgage assistance. What HUD is going to do under this mortgage assistance program is to pay the difference between the amount of the monthly payment for principal, interest, and mortgage insurance premium which the mortgagor is obligated to pay under the mortgage, and the monthly payment for the same purposes if the principal were to carry interest of only 1 percent.

I want to tell you that this title, the way it is written, is not designed to help the poor people, because under this title mortgage assistance can be given on mortgages up to $20,000. Certainly I do not know of any poor people who are going to be able to get a downpayment together and buy a home and come up with a mortgage of $20,000. That is the maximum mortgage permitted in this bill.

When you are talking about the income level a family may have and still occupy public housing, you are talking about a

sliding scale. For every child they are permitted to earn an additional $200 annually. The sliding scale in various parts of the country applies so that in some parts of the country you can occupy public housing if you have an income of $5,000; in other parts of the country you are entitled to occupy public housing if you have an income of $8,000.

The only thing that the gentleman from Illinois is proposing in his amendment is that in order for the Federal Government to make it possible for someone to have a mortgage at 1-percent interest, he cannot earn more than 30 percent above the income limit for the occupancy of public housing in that area.

If you want to help the people who need help, if you want to make certain that the money is being spent beneficially by the Federal Government in underwriting interest rates for commercial banks, for savings and loans, and for other lending institutions, the thing to do is to adopt this amendment.

Mr. ANDERSON of Illinois. Mr. Chairman, will the gentleman yield?

Mr. WILLIAMS of Pennsylvania. I yield to the gentleman from Illinois.

Mr. ANDERSON of Illinois. The gentleman from Pennsylvania [Mr. BARRETT] has referred repeatedly to 2½ million families that would be excluded if my amendment were to be adopted. As I have read and studied the hearings and report on this bill, and under both sections 235 and 236, that is, the homeownership and the rental housing and the cooperative housing sections of this bill, the goal is the production of 900,000 units over the next 3 years.

So I am totally unable to understand where the gentleman has ever come up with the figure of 2½ million, unless he just pulled it out of the air, which I suspect he has.

Mr. WILLIAMS of Pennsylvania. The fact of the matter is that most of the people in substandard housing are below the median income in this country, which is approximately $7,500 a year. Your amendment, which would permit them to earn 130 percent of the maximum allowable income under which they could live in low-cost housing, would help those people who really need the assistance, and we would get to the heart of the problem.

Mrs. SULLIVAN. Mr. Chairman, I move to strike the requisite number of words.

The CHAIRMAN. The gentlewoman from Missouri is recognized for 5 minutes.

Mrs. SULLIVAN. Mr. Chairman, I would like to set a few things straight about this program of homeownership for low-income families. This is not a brand new proposal or idea. This program originated in St. Louis about 3½ years ago, as a local experiment initiated without any Federal support of any kind, and it was so successful on a small scale that it is now a part of our housing laws and is beginning to operate throughout the country. We enacted it 2 years ago as an amendment of mine to the Housing Act of 1966. It is now operating as section 22(h) of the National Housing Act and is based on the experience gained in the St. Louis project undertaken and pioneered by the Bicentennial Civic Development Corp.; a nonprofit organization of businessmen and civic leaders. The idea originated with Father John Shocklee and Father Joseph Kohler, but it is a community enterprise with help from many different groups and individuals of all faiths.

It was from the work that has been done in St. Louis and the success of that program that the gentleman in the other body also got his idea for a greatly expanded home ownership program—and it is a worthwhile proposal. But we have already had some experience in operating this kind of program. Our experience has shown that people in the very, very low-income bracket of approximately $3,000 a year cannot manage the expenses of owning their own homes, even with a mortgage subsidy.

We have a sliding scale in St. Louis for those who are able to live in public housing. It depends upon the size of the family, as it does in every other place, but we have found that the home ownership program—and there are now more than 90 units which have been rehabilitated in St. Louis and sold to low income families under this program—is attracting mostly large families, with maybe six, eight, or 10 children, plus a mother and father. So, of course, the top income limitation has to be a great deal more than this $3,000 limitation some of the Members are talking about. If we were to impose a $3,000 limitation, I doubt if that kind of family would be able to buy a home, no matter how much help they might get on the mortgage interest rate subsidy.

Remember that we are not talking about a program that is entirely new and untried. I think the program now has spread, since this amendment was made under 221(h) of the 1966 Housing Act, to some 62 cities which have put it into effect, or are in the process of doing so. The experience shows that we have to have a sliding scale for the low- and moderate-income families, so we can be sure that those who receive this help in buying a home have the ability to pay for it. We do not want foreclosures and evictions resulting from trying to include families which could not meet the costs of owning a home. We can subsidize the mortgage interest rate, but if you limit this only to the lowest income levels, such families would not be able to meet the amortization costs and the upkeep, even if the mortgage carried no interest whatsoever. We have to have flexibility in the income limitations.

Mr. BROCK. Mr. Chairman, will the gentlewoman yield?

Mrs. SULLIVAN. I yield to the gentleman from Tennessee.

Mr. BROCK. Mr. Chairman, I would like to point out that in St. Louis, in the gentlewoman's own hometown, under this provision the limit would not be $3,000; it would be over $6,000, so this is a sliding scale.

Mrs. SULLIVAN. Mr. Chairman, I would like to say to the gentleman, there are very few families who are looking for homeownership who are now in public housing, who do not have children. So there has to be a sliding scale and the limitations should not be set too low.

The other thing I want to bring out is that in cities like St. Louis we cannot build new homes at a price the lowest income families could amortize. We have to rehabilitate older houses—work with what we have. When we think of a family in the $3,000 or $5,000 income level paying $10,000 or more for a home—and it would cost that much for a new house in the city—we can see they cannot very well afford to buy that house, and meet the monthly payments, and the maintenance costs, even if no interest were charged at all.

(Mr. DERWINSKI asked and was given permission to revise and extend his remarks.)

Mr. DERWINSKI. Mr. Chairman, I move to strike the requisite number of words.

Mr. Chairman, it was my privilege to serve on the Banking and Currency Committee in the first 4 years I was in the House, and I found the committee interesting, challenging, but quite frustrating. I see it has not changed since I left 5 years ago, because we are back here with another housing bill full of promises and full of vague figures, and here we are, confronted in the basic debate with a question as to whom we may be helping under this bill.

The gentleman from Tennessee a half hour ago questioned whether the impact of whether this section of the bill and the Anderson amendment was aimed at the middle class or the low-income people. If we look about us in the District of Columbia, we notice the great southwest area redevelopment, which is typical of the bureaucratic efforts that have come out of the Housing Department. One of the great residences of that southwest area is the one owned by Vice President HUMPHREY. That southwest area, when I first came to Washington 10 years ago was the most blighted in the city area—if not in America.

But where are the poor people today who were living there then? They are scattered all over the District of Columbia, and that area has been rehabilitated at great cost to the taxpayer for not only the middle-income people but for the upper-income people. I presume the Vice President does not qualify as a middle-income person.

If this is how we are to help the poor people, by passing glamorous programs with wonderful slogans and facades, and then we find more ghettos building because the builders and bureaucrats divert the funds into the upper- and middle-income housing, then we can repeat it all here, I suppose.

I was also thinking of the figures that have been kicked about. I looked at Chicago, where a family of three to four persons in public housing would have a maximum income of $8,750. Taking the Anderson of Illinois amendment, that would permit them, under this program, to earn $11,000 and still be subsidized in homeownership.

If, in the Chicago area, there is a family of four persons, with an income of $11,000, any bank or savings and loan institution will give them a mortgage in FHA, VA, or even conventional loan procedures today.

The 130-percent figure, instead of perhaps "gutting" the program, is, if any-

thing, too liberal. If a person could earn $10,000 or $11,000 in Chicago, or in any major metropolitan area, and has shown he has limited credit and a legitimate record of repayment, he could qualify under an existing Federal program and would be subsidized under the current FHA and VA practices.

Basically what we are facing—and this bill does not touch it at all—is horrible administration by the Housing Agency. In most banks and savings and loan associations across the country they reason why they do not use more Federal programs is because it takes too long to process the documents. One can work with a conventional loan, under normal circumstances, in 3 or 4 weeks. It might be necessary to wait for 3 or 4 months to have the FHA or the VA process approval.

If we did not have people in the administration killing existing programs, we might not have a need for some of these new programs.

The very least we owe to the poor people of the country is not to again resort to promises of a pot of gold at the end of the rainbow, which will not be produced by this program. We need some effort in this bill or in some other approach in the leadership in the Congress to require at least a practical administration of the program.

If anyone could show me how this program would be administered in the light of previous experience and could show it would actually help the poor people of the country, then he is either an optimist or a dreamer, or else he has discovered a clue to the killing bureaucrats in HUD.

I would suggest that the gentleman from Illinois has offered a practical amendment, because it would put the administrator under some legitimate guidelines.

This will, I reemphasize, permit people who are earning $10,000 or $11,000 or $12,000 a year to get financing which is available now. They do not need anything beyond this 130 percent. It will, as I say, inject direction which is otherwise lacking.

Mr. WILLIAMS of Pennsylvania. Mr. Chairman, will the gentleman yield?

Mr. DERWINSKI. I yield to the gentleman from Pennsylvania.

Mr. WILLIAMS of Pennsylvania. I should like to call the gentleman's attention to the fact that rehabilitation loans and rehabilitation grants are covered in title II of this same bill. Again, there is no income limit on the amount of money a person could be making to get such a rehabilitation loan.

The CHAIRMAN. The time of the gentleman from Illinois has expired.

Mr. PATMAN. Mr. Chairman, I wonder if we can get an agreement on time?

I ask unanimous consent that all debate on this amendment be limited to 10 minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from Texas?

There was no objection.

The CHAIRMAN. The Chair recognizes the gentleman from Alaska [Mr. POLLOCK].

Mr. ANDERSON of Illinois. Mr. Chairman, will the gentleman yield?

Mr. POLLOCK. I am glad to yield to the gentleman from Illinois.

Mr. ANDERSON of Illinois. I believe that again the point which ought to be made when we go into the closing minutes of this debate is, that disillusionment is dangerous. If we are going to spell out further disillusionment for the poor people of this country in the program we enact on this floor today, we do them a great disservice.

I would suggest, therefore, that we adopt this amendment and impose a realistic limit with respect to who the participants under the homeownership program—section 236—are going to be. That will signal to the people in the Government who are in charge of this program that it is in fact and in name a program for poor people.

The CHAIRMAN. The Chair recognizes the gentleman from Ohio [Mr. TAFT].

(Mr. TAFT asked and was given permission to revise and extend his remarks.)

Mr. TAFT. Mr. Chairman, I would just like to put this question, in the very short time I have here, to the gentleman from Wisconsin [Mr. REUSS] and the gentleman from Ohio [Mr. ASHLEY].

If you are not going to help these people in the 30 percent above public housing level in this section 235, are you going to go along with a similar amendment which will probably be offered on section 236, or are you against setting out any particular area to help these people, who are in great need of help in this housing program?

Mr. REUSS. Mr. Chairman, will the gentleman yield?

Mr. TAFT. I am glad to yield to the gentleman.

Mr. REUSS. I am all for giving them tremendous help. No one is for cutting them out. We have a very large public housing program.

Mr. TAFT. What about those who are over the public housing limits? Will you go along with them on section 236?

Mr. REUSS. That is right. They are in this and they will stay in.

Mr. TAFT. Mr. Chairman, a serious shortcoming of the bill in section 236, should be corrected. As noted in the minority views, the program is not directed toward those who need it most, and it should be amended to this end. It may be easier, more attractive, and more economic to build for higher income families with incomes over $5,000 per year. But it is not where the greatest need lies, and it is not oriented toward the equality of opportunity and minimum standards precepts that are the very heart of our Federal housing program and have motivated it from the start.

The CHAIRMAN. The Chair recognizes the gentleman from Tennessee [Mr. BROCK].

Mr. BROCK. Mr. Chairman, I take this time to point out something that has not been mentioned, as far as I know, by the gentleman from Pennsylvania; namely, that the Senate bill does have a limitation of this type. It puts a limit of 70 percent of the funds available under 221(d)(3), which is effectively what this amendment does. I do not think the gentleman would wish to accuse the other body of trying to destroy the bill. Both amendments are intended to direct the use of this money to the people who need the help.

The CHAIRMAN. The Chair recognizes the gentleman from New York [Mr. ROSENTHAL].

(Mr. ROSENTHAL asked and was given permission to revise and extend his remarks.)

Mr. ROSENTHAL. Mr. Chairman, I rise in opposition to this amendment and in strongest possible support for the housing bill we consider today. This is an omnibus bill in the best sense. The need for ambitious and creative legislation to gain adequate housing for all Americans can no longer be questioned whether we speak for our cities, our suburbs or our rural communities. This bill, as reported out by the Committee on Banking and Currency, represents exactly the far-ranging kind of legislative policy planning that millions of ill-housed Americans require.

When we address ourselves to questions of housing and urban development, we do nothing less than to confront the very quality of life in the United States. All human activity apart from work, and in many cases even including work, occurs within the domicile environment. Nurturance, family raising, sleep, recreation, and religious training are all at-home activities for us.

Educators agree that upwards of 90 percent of all childhood education takes place at home. Social scientists have long known that nothing tells as much about individual life styles as does a man's home.

If this is so, if housing is so determinative of the way men live, we cannot tolerate the continued existence of more than 6 million substandard dwelling units in our Nation. Nor can we tolerate a social condition of inequity where we must build 26 million new housing units by the end of this century—merely to keep pace with our present housing shortage.

This bill incorporates several hundred housing ideas into the only kind of comprehensive program that can meet the heterogeneous needs of 200 million dwellers.

Many of the bill's provisions continue the imaginative proposals first passed in earlier housing acts. Among these are the model cities and rent supplement programs, which have now begun to partially fulfill their promise. The comprehensive urban planning fostered by model cities is urgently needed to meet the interlocking problems of modern urban life.

Rent supplement programs serve admirably to break the cost barriers to adequate housing that are now faced by many residents of our high-rental urban areas. Both of these programs have shown that they merit expanded support by Congress; and efforts to cut these programs back would be simply unconscionable.

The many exciting new proposals in this bill should also be approved by this House today. Title I of this bill, which

lends Federal support of homeownership programs must be seen as especially valuable in securing a pleasant environment for those millions of our fellow citizens now trapped in noisome tenements.

I represent a district in New York that contains many single-family homes, as well as 83,000 apartment units. I know how strong the desire for homeownership is, even in New York. I am also pleased to see that H.R. 17989 would insure that at least half of all subsidized housing within residential urban renewal areas will be low- or middle-income housing.

As a former member of the Committee on Agriculture, I am gratified to see that the impoverished quality of rural housing has not been overlooked in this bill. Other features of this bill, including new mass transit support, new Federal aid for the construction of college dormitories, and increased stress on urban renewal through rehabilitation, and added Federal support for mortgages and home insurance all deserve warm endorsement.

The jobs through housing provision of H.R. 17090 merits special commendation. This section calls for new housing construction at the rate of 600,000 units per year for the next 10 years, thus yielding a new housing total of 6 million units by 1980. This last figure is not irrelevant; it represents the number of dilapidated dwelling units now extant in this Nation. But this provision does not merely authorize this ambitious program. The Secretary of Housing and Urban Development is specifically obliged to "require, to the greatest extent feasible, that opportunities for employment arising in connection with other provisions of H.R. 17989 be given to lower income persons residing in the area of such housing and, thereby, provide not only housing but also jobs for these persons." Thus, our cities are to derive double benefits from the new housing construction that is so crucially needed.

Special efforts are to be made by Housing and Urban Development to guarantee that highly desirable construction jobs be allotted to inner city residents. A Housing and Urban Development study done at my request several months ago indicates that our building of 600,000 new housing units would generate a half-million new jobs for inner-city residents. I trust that the phrase "to the greatest extent feasible" will be interpreted by Housing and Urban Development as a spur to full enforcement and not as a dodge.

What a perfect, felicitous solution this is for many of our urban blight problems. This bill employs a great variety of devices for building pleasant environments in our cities, and it will also create hundreds of thousands of new jobs. Credit for this feature of H.R. 17989 should be given to the Confrontation With Congress group that has worked diligently for this imaginative proposal for many months. James Haughton, Timothy Cooney, and the other leaders of the CWC whose dedicated support of the jobs through housing, first in H.R. 16266 and now in H.R. 17989, should bear fruit today deserve our warmest thanks.

In closing, I would like to reiterate my warm support for this omnibus bill, and my opposition to today's efforts to reduce our commitment to urban needs. We are accustomed in this body, especially of late, to hear impassioned pleas for economic retrenchment. I insist that we can simply not afford any pennypinching in our housing and urban renewal programs. The very quality of our lives is directly at stake, not only for the 6 million of us who must endure obvious dilapidation, but for all of us who reside in cities, who love them, and who see in our cities those centers of production and creativity upon which our entire country depends.

The CHAIRMAN. The Chair recognizes the gentleman from Illinois [Mr. FINDLEY].

Mr. FINDLEY. Mr. Chairman, to me this limitation amendment makes a lot of sense. I hope it is accepted by the House, and when the day comes, as it may, that the farm bill hits the House floor, I hope a similar sentiment will prevail, because we have the ridiculous situation of farmers getting as much as $1 million a year in payments out of the U.S. Treasury. A limitation is badly needed there, too.

The CHAIRMAN. The Chair recognizes the gentleman from Ohio [Mr. WYLIE].

(Mr. WYLIE asked and was given permission to revise and extend his remarks.)

Mr. WYLIE. Mr. Chairman, I rise in support of this amendment. I rise in support of the very significant strides forward in housing assistance which are being taken by the Housing and Urban Development Act of 1968. But, as the gentleman from Tennessee [Mr. BROCK] just pointed out, the other body has adopted an amendment imposing an income limitation on eligibility for assistance to persons whose incomes are not in excess of 70 percent of the prescribed limits of those in projects under section 221(d)(3) of the National Housing Act. We are phasing out this program in this bill, and therefore I believe that the amendment offered by the gentleman from Illinois is better. We have to rifle shot in on these low-income family problems. I think we need some leeway to take into account different standards of living in different communities. But, we want to express our intent that low-income families be provided for, first. The amendment makes good sense.

The CHAIRMAN. The Chair recognizes the gentleman from Maryland [Mr. MATHIAS].

(Mr. MATHIAS of Maryland asked and was given permission to revise and extend his remarks.)

Mr. MATHIAS of Maryland. Mr. Chairman, I would like to ask the gentleman from Wisconsin [Mr. REUSS] to comment very briefly on the situation in which this bill finds the family which has had increased income but cannot find better housing. For instance, a family in low-income public housing which cannot move because no other housing is available, yet it has to pay premium rent in that housing facility.

Mr. REUSS. This action of the bill is aimed at accommodating that sort of person and enabling him to achieve homeownership. If the Anderson amendment prevails, he will be cheated and will not be able to do this. His income will be too high.

Mr. ANDERSON of Illinois. Mr. Chairman, will the gentleman yield?

Mr. MATHIAS of Maryland. Yes. I yield to the gentleman.

Mr. ANDERSON of Illinois. The gentleman should point out in all fairness that there is a section now, section 10(g)(3) of the U.S. Housing Act which gives a tenant in a public housing project who has an income which has exceeded the ceiling the right to pay for it as long as he maintains adequate rent.

The CHAIRMAN. The Chair recognizes the gentleman from New Jersey [Mr. CAHILL].

(Mr. CAHILL asked and was given permission to revise and extend his remarks.)

Mr. CAHILL. Mr. Chairman, I would just like to point out to the Members that this bill will absolutely build houses in this country, because you can be sure the builders can sell houses with mortgages on which only 1 percent interest is charged, to the purchasers. We can be equally sure that they will build the $15,000 to $20,000 house which the needy of this country cannot afford.

So, Mr. Chairman, I say if we are to encourage the builders to build the houses that we need in this country and that the people need in this country, we had better support the Anderson amendment.

The CHAIRMAN. The Chair recognizes the gentleman from Minnesota [Mr. FRASER].

(Mr. FRASER asked and was given permission to revise and extend his remarks.)

Mr. FRASER. Mr. Chairman, in following this debate it seems to me that the bill already has effective income limitations. By putting a ceiling on the size of the mortgage and by saying that 20 percent of the persons income must be devoted toward paying that mortgage there is an effective ceiling. If the income of a particular family rises, and if we adopt the amendment which has been offered by the gentleman from Illinois [Mr. ANDERSON], instead of phasing out this subsidy it will end abruptly. Therefore, Mr. Chairman, I hope the amendment is defeated.

The CHAIRMAN. The Chair recognizes the gentleman from Texas [Mr. PATMAN], to close the debate on the amendment.

Mr. PATMAN. Mr. Chairman, I rise to ask for a vote on the amendment.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Illinois [Mr. ANDERSON].

The question was taken; and on a division (demanded by Mr. ANDERSON of Illinois) there were ayes 79, noes 75.

Mr. PATMAN. Mr. Chairman, I demand tellers.

Tellers were ordered, and the Chairman appointed as tellers Mr. ANDERSON of Illinois and Mr. PATMAN.

The Committee again divided, and the tellers reported that there were—ayes 118, noes 101.

So the amendment was agreed to.

AMENDMENT OFFERED BY MR. WIDNALL

Mr. WIDNALL. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. WIDNALL: On page 4, line 21, after "acquiring", insert "or retaining".

On page 4, line 22, after "acquiring", insert "or retaining".

Mr. WIDNALL. Mr. Chairman, this amendment would permit persons, particularly those who are elderly such as widows and persons on a pension, who have already undertaken the risks and burdens of home ownership, to retain their hard won rights of home ownership despite changes in their economic status, through refinancing of their present high risk mortgages if they fall within the low income limits set forth under this bill. The minority wants this bill to be of help to the people that need it most, whether they presently are homeowners or whether they hope to be. Particularly, they want deserving individuals and families to have the best opportunity for preserving their equity in their homes. This simple amendment would permit this.

Mr. Chairman, I find a number of cases of very fine citizens, elderly persons, such as widows and people on a pension, who are unable to keep their homes because of increased costs today. If they do not get the benefit of what is in title I of this bill, they will not be able to retain their homes and be able to live in the home where they have put their hard-earned savings for many, many years.

I think they deserve the same opportunity that is to be given to the new homeowners in order to enable them to retain their present homes. They would be able to do so, if they had the same type of financing made available for them.

Mr. PATMAN. Mr. Chairman, I rise in opposition to the amendment.

The amendment offered by the distinguished gentleman from New Jersey has been offered by the gentleman with the very best of intentions, I know. I wish the Congress could authorize the vast amount of money and the funds that the amendment would require.

There is no estimate as to how much would be required and, obviously, there is no way to get an estimate.

This amendment would include or take in existing homes. The bill, as written, provides for new homes for people who never have had the benefits of homeownership in this country.

Now if we are to divert it and permit them to use the money for existing homes, there will not be enough money for anything except the existing homes—and there will not be enough for new homes.

There is only $300 million authorized to be appropriated in title I. Obviously, if you permit people who have their own homes now to come into the program, it will defeat the purpose of the bill. Therefore, the amendment should be defeated.

The basic purpose of section 101 is to offer homeownership for the first time to families for whom, up to now, homeownership has been a financial impossibility and an unrealizable dream. Since this would permit existing homes to come in, it is an entirely different approach, and the amount of money is practically nothing in comparison to what we would need. It would defeat the purposes of the bill. If the amendment were adopted, no new housing could be constructed, and all the funds would undoubtedly be dissipated without creating a single new home just by letting people who have existing homes use the money for rehabilitation, refinancing, or any other purpose.

Mr. Chairman, the amendment of the gentleman from New Jersey would really open a very broad, new field, and more properly should be considered in the context of future studies and new hearings. I would be perfectly willing to have hearings on the gentleman's proposal if he desires them.

Mr. WIDNALL. Mr. Chairman, will the gentleman yield?

Mr. PATMAN. I yield to the gentleman from New Jersey.

Mr. WIDNALL. The purpose of the amendment is to enable those who now own their homes and who find themselves in reduced circumstances to save their homes by giving them the same opportunity that we are giving for new homeownership.

Mr. PATMAN. In order to accommodate the few that the gentleman mentions, you would have to open up an entirely different field. Certainly old or existing homes would be eligible. You have got to say they are all eligible or not eligible. If they are eligible, it would defeat the purpose of the bill.

I hope that the gentleman will not insist on his amendment but will agree to hearings before the committee of which he is the ranking member, and very influential, from the minority side, and one who has had a great deal to do with this bill. The gentleman from New Jersey is entitled to great credit for his work. But I hope he will not press his amendment, which would defeat one of the main purposes of the bill.

Mr. Chairman, I hope the amendment is defeated.

Mr. GONZALEZ. Mr. Chairman, I move to strike the requisite number of words.

The CHAIRMAN. The gentleman from Texas is recognized for 5 minutes.

Mr. GONZALEZ. Mr. Chairman, I would like to ask the gentleman from New Jersey a question with respect to the amendment. What moneys would be provided to carry out the purposes of your amendment?

Mr. WIDNALL. The money would come out of the same general fund under the purposes of the bill as presently written.

Mr. GONZALEZ. Then no new funds would be required to carry out the purposes of the bill?

Mr. WIDNALL. No new funds are provided under this amendment.

Mr. GONZALEZ. Would the gentleman accept an amendment to his amendment to provide an authorization of $50 million to implement the amendment?

Mr. WIDNALL. I believe that those covered by the amendment should have the same opportunity to participate in the bill that is being given to others under the bill.

Mr. GONZALEZ. I still am not clear in my mind just how your amendment and the purposes of the bill, in the case of your amendment, would be carried out if you do not provide for some authorization other than the old authorization, which more or less has been anticipated in the pending bill. Do you not believe that in order to be realistic and to make the purpose of the bill meaningful, as you state, we ought to provide for some new authorization, some new money?

Mr. WIDNALL. I believe the amendment is realistic in considering the problems of those in reduced circumstances as well as those in low-income status.

Mr. GONZALEZ. The gentleman from New Jersey would not have any objection, then, to an offer of an amendment to the amendment providing for a $50 million authorization?

Mr. MIZE. Mr. Chairman, will the gentleman yield?

Mr. GONZALEZ. I want to know from the gentleman from New Jersey if he would have any objection to an authorization of $50 million.

Mr. WIDNALL. Yes, I do have an objection. There is a billion dollar carryover in HUD, FHA funds, that could be used for that purpose.

Mr. GONZALEZ. There is nothing in the record that I know about to indicate that. Would it be in order to offer an amendment to the amendment, Mr. Chairman?

The CHAIRMAN. The gentleman from Texas may offer an amendment to the amendment.

AMENDMENT OFFERED BY MR. GONZALEZ TO THE AMENDMENT OFFERED BY MR. WIDNALL

Mr. GONZALEZ. Mr. Chairman, I offer an amendment to the amendment offered by the gentleman from New Jersey [Mr. WIDNALL].

The Clerk read as follows:

Amendment offered by Mr. GONZALEZ to the amendment offered by Mr. WIDNALL: On page 9, line 8, after the period, insert the following new sentence: "In addition to the amount authorized by the preceding sentence, contracts aggregative $50,000,000 may be entered into with respect to the retention by the persons assisted of existing housing."

Mr. GONZALEZ. Mr. Chairman, essentially we have been having a very interesting discussion this afternoon, and very interesting remarks, from protagonists in the debate this afternoon who, if my memory does not serve me wrong, have been stanchly against any new appropriations or any real funding for existing programs. They have talked glibly about being for the poor and the unhoused and about the need to help the poor and the moderate-income people, and yet consistently, in the committee and out of the committee, they have fought against any real meaningful attempt to solve the aching problems confronting us—which require money.

The amendment proposed by the gentleman from New Jersey is a typical example. It just has a good intention—and I give full benefit of doubt to the intention and the motive. Even assuming that it would do what it intends to do, it would still take money to give it meaningful and purposeful intent. Therefore, there should be no objection

to my amendment to give it some realism by providing the authorization to carry out even a modicum of a beginning of this program.

I notice in the bill the funding authorized is pretty well earmarked, and there have been some anticipatory earmarkings I am sure. Therefore, if there is seriousness of intent in this amendment, then it should be acceptable to provide at least a modicum of resources to carry it out. Therefore, I think my amendment, which would have a very, very modest beginning of $50 million, would be a realistic attempt to give this life and meaning.

Mr. JONAS. Mr. Chairman, I move to strike the last two words.

Mr. Chairman, I would like to remind my friend from Texas that the amount involved here is not $300 million. That is only the first year's cost. This title grants the Department of Housing and Urban Development contract authorization amounting to $300 million a year for 40 years. So it should be understood that the total exposure of the Government under this title alone is $300 million a year for 40 years or $12 billion instead of $300 million.

What the gentleman from Texas would do by his amendment is to add another $2 billion to that. We cannot just throw in $50 million and forget about it. These are contract authorizations that will run for 40 years. It will be $50 million a year for 40 years, or $2 billion added to the $12 billion cost of title I, and we have a $14 billion item instead of $350 million for consideration if the amendment of the gentleman from Texas is adopted.

Mr. BLACKBURN. Mr. Chairman, I move to strike the requisite number of words.

Mr. Chairman, I rise in opposition to the amendment to the amendment, and in support of the amendment offered by the gentleman from New Jersey [Mr. WIDNALL].

I think there has been some degree of misrepresentation as to the purpose of this bill, which is not necessarily to build new housing. The purpose of this bill is to provide standard housing, to provide housing of substantial quality to people of low incomes. We have to decide what we can do within the context of the financing available—and we have learned in recent weeks that overwhelming financing for every program we would like to pass is not available. We have had to add additional taxes onto our citizens and we have had to ask the Executive to cut back spending.

What the gentleman from New Jersey is proposing is that existing housing can be brought up to standard quality and maintained at far less cost than if we start from scratch and build new housing. In order to spread the most good to the most families at the least cost, I support the amendment offered by the gentleman from New Jersey, but I do oppose the amendment offered to that by the gentleman from Texas.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Texas [Mr. GONZALEZ] to the amendment offered by the gentleman from New Jersey [Mr. WIDNALL].

The amendment to the amendment was rejected.

The CHAIRMAN. The question is on the amendment offered by the gentleman from New Jersey [Mr. WIDNALL].

The question was taken; and on a division (demanded by Mr. PATMAN) there were—ayes 45, noes 62.

Mr. WIDNALL. Mr. Chairman, I demand tellers.

Tellers were ordered, and the Chairman appointed as tellers Mr. WIDNALL and Mr. PATMAN.

The Committee again divided, and the tellers reported that there were—ayes 74, noes 85.

So the amendment was rejected.

AMENDMENT OFFERED BY MR. BROCK

Mr. BROCK. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. BROCK: On page 7, line 7, strike out "20 per centum" and insert "25 per centum".

Mr. BROCK. Mr. Chairman, the purpose of this amendment is to raise the percentage of income which is calculated to apply against the housing payment for an individual family from 20 to 25 percent. I offered this in the committee, and I believe the chairmen of the subcommittee and the full committee are both familiar with the amendment.

Mr. Chairman, there are two reasons for offering this amendment. One is that it seems to me fairly logical that when we are going away now from rental units either in public housing or in rent supplement programs, when we go toward a homeownership program in which families are acquiring some degree of equity, that they should be willing to make perhaps a slightly larger sacrifice.

In the past years under the rent supplement program we have used the figure of 25 percent as our normal figure. By going to 20 percent in this bill both for rent supplements and for home ownership, it seems to me we are not putting sufficient emphasis upon the contribution that an individual and his family should make in the interest of achieving the self-respect and the pride that goes with equity.

The argument for raising this percentage is that it does something that the proponents of this legislation have been saying they are trying to do, that is, it brings an income level down. By going to 25 percent we can reduce the income level of a family participating in the program by some $500 to $700 or $800 depending on their income level. If a family that makes $3,500 a year wants to make this kind of a sacrifice, it seems to me we should give them every possible inducement to do so.

I would think it should be the better part of wisdom on the part of this body to encourage those whose income is slightly below today's floor to make that extra effort to achieve the self-respect that goes with owning a home.

Mr. Chairman, I ask support of my amendment.

Mr. REUSS. Mr. Chairman, I rise in opposition to the Brock amendment.

(Mr. REUSS asked and was given permission to revise and extend his remarks.)

Mr. REUSS. Mr. Chairman, this amendment would, like an earlier one, seriously impair the homeownership program. What this amendment says is that a family must spend 25 percent of its income, rather than 20 percent of its income, as the bill provides, if it is to acquire homeownership.

If we are going to raise the ante from 20 to 25 percent we will, in effect, shortchange the other elements contained in the family budget. You will shortchange food purchases, you will shotrchange clothing purchases and medical requirements.

Mr. Chairman, the 20-percent figure is precisely what the FHA observes in section 203 has indicating the proper figure.

For example, in 1966, FHA records show, a median of 19.6 percent of income was spent for other items than housing under that program. If we raise the requirement to 25 percent of their income, we are either going to vitiate the entire program or bankrupt the families that operate under it.

We will be particularly unjust to the larger families. Of course the 25 percent of their income requirement detracts from the global total of the family which has to feed more children and it would make it just that much more onerous on the large families that I thought this bill was designed to help.

So I would hope that the Brock amendment would be voted down.

Mr. BARRETT. Mr. Chairman, will the gentleman yield?

Mr. REUSS. I yield to the gentleman from Pennsylvania.

Mr. BARRETT. Mr. Chairman, I wish to associate myself with the remarks which have just been made by the gentleman from Wisconsin [Mr. REUSS]. It is my opinion that he was given a detailed outline of the matter which is certainly helpful toward defeating this amendment, because if the amendment were to carry, there would be over 500,000 families who deserve an opportunity to meet the requirements under this program at the 20-percent level.

Mr. REUSS. I thank the gentleman from Pennsylvania for his contribution, and would point out further the fact that over and above the family's 20-percent housing payment, it has to pay extra for repairs on the house; if the roof leaks, or if the plumbing does not work.

Mr. Chairman, the surest way to defeat the purpose of this particular provision is to raise the ante from 20 to 25 percent.

Mr. BROCK. Mr. Chairman, will the gentleman yield?

Mr. REUSS. I yield to the gentleman from Tennessee.

Mr. BROCK. Mr. Chairman, I am just fascinated by the remarks of the gentleman from Wisconsin. He pointed out the analogy with reference to the rent supplement program to which he contributed much. But here you have equity which will go to the persons involved, equity which does not now exist.

Mr. REUSS. The difference between this and the rent supplement program is this: In the rent supplement program the landlord fixes the roof, the landlord fixes the electrical system, as well as the plumbing. However, here the poor homeowner has to do it himself and you are

going to put him out of business by raising the ante.

Mr. BINGHAM. Mr. Chairman, will the gentleman yield?

Mr. REUSS. I yield to the gentleman from New York.

(Mr. BINGHAM asked and was given permission to revise and extend his remarks.)

Mr. BINGHAM. The archdiocese in New York has done a great deal of work in the housing field and it has been very constructive work. They sent representatives to Washington during the course of the hearings and during the period of time in which this bill was being considered. They made it clear that the 25-percent rate simply would wreck the program in New York City. However, they stated that they could not go ahead with this program which would involve ownership on a 25-percent standard in an area such as New York City. In other words, it would mean that the program could not move forward.

Mr. BROWN of Michigan. Mr. Chairman, will the gentleman yield?

Mr. REUSS. I yield to the gentleman from Michigan.

Mr. BROWN of Michigan. Mr. Chairman, I thank the gentleman from Wisconsin for yielding.

I concur with the gentleman from Wisconsin [Mr. REUSS], but not necessarily for all his reasons. I believe that his explanation of additional costs that the homeowner is required to pay from that of a renter justifies the lower percentage. As the gentleman from Wisconsin knows, however, I do support the 25-percent figure on the rent supplement program.

Mr. REUSS. I thank the gentleman for his remarks.

Mr. KUYKENDALL. Mr. Chairman, I move to strike the requisite number of words.

Mr. Chairman, there is a project in my district in Memphis, Tenn., called HOME—Housing Opportunity Memphis Enterprise—which I understand is the only nonprofit foundation already functioning building owner-occupied housing.

When we start to talk about the difference between 20 and 25 percent allowable—now, I believe the amendment offered by the gentleman from Tennessee [Mr. BROCK] does not make the 25 percent mandatory, but makes it allowable, if the family wishes to spend up to 25 percent they may spend up to 25 percent.

Is that correct?

Mr. REUSS. Mr. Chairman, would the gentleman yield?

Mr. KUYKENDALL. I yield to the gentleman from Wisconsin.

Mr. REUSS. I believe that under the present law, if the family wishes to spend up to 25 percent, they may. The Brock amendment would make it mandatory.

Mr. KUYKENDALL. May we get this clarified?

Mr. REUSS. I would ask the gentleman from Tennessee [Mr. BROCK] if that is not so?

Mr. BROCK. I am not sure from which way the questions are coming.

Mr. REUSS. If the gentleman will yield further, the amendment offered by the gentleman from Tennessee [Mr. BROCK] would make it mandatory to apply 25 percent of the income toward the house.

Mr. BROCK. In order to affect the subsidy you could not receive it with an amount which was in excess of 25 percent, which effectively lowers the income of families that can participate, it allows more families to participate in the program.

Mr. KUYKENDALL. I thank the gentleman for that information.

But the difference between the 20 percent and the 25-percent payment is about like, on a $75-per-week family, this family may very well have only one child or two children—granted a family with five or six children should certainly not spend more than 20 percent; in fact, sometimes 16 or 17 percent for rent—but a family with one or two children can certainly spend 25 percent for rent.

This, however, would mean that the 25 percent is only $64.75 on a $75-a-week employee, while at 25 percent it is $80. I believe we are here to encourage this family to get into a better home and to accumulate more equity. And that is what we have found in our experimental program in Memphis; that if we give the family an opportunity and encourage them to homeownership, we are quite surprised at what levels they can reach for if we leave it up to them.

So I am supporting the Brock amendment, because I believe this leeway should be allowable.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Tennessee, Mr. BROCK.

The amendment was rejected.

AMENDMENT OFFERED BY MR. MAILLIARD

Mr. MAILLIARD. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. MAILLIARD: On page 37, after line 24, insert the following:

"(c) Section 306 of the National Housing Act is amended by adding after subsection (g) (as added by section 704(b) of this Act) the following new subsection:

"'(h) The Association is authorized, upon such terms and conditions as it may deem appropriate, to guarantee the timely payment of principal of and interest on bonds, debentures, notes, or other obligations issued by any public or private nonprofit organization to help finance any project for the rehabilitation or construction of housing (including the acquisition of land, or interests in land, needed in connection with such housing) for low-income families. The Association shall collect from the issuer a reasonable fee for any guaranty under this subsection and shall make such charges as it may determine to be reasonable for the analysis of any security arrangement proposed by the issuer. In the event the issuer is unable to make any payment of principal of or interest on any obligation guaranteed under this subsection, the Association shall make such payment as and when due in cash, and thereupon shall be subrogated fully to the rights satisfied by such payment. Any Federal, State, or other law to the contrary notwithstanding, the Association is hereby empowered, in connection with any guaranty under this subsection, whether before or after any default, to provide by contract with the issuer for the extinguishment, upon default by the issuer, of any equitable, legal, or other right, title, or interest of the issuer in any property securing the guaranteed obligations; and with respect to any issue of guaranteed obligations, in the event of default and pursuant otherwise to the terms of the contract, the property constituting such security shall become the absolute property of the Association subject only to the unsatisfied rights of the holders of the obligations. The full faith and credit of the United States is pledged to the payment of all amounts which may be required to be paid under any guaranty under this subsection. There shall be excluded from the total amounts set forth in subsection (c) the amounts of any mortgages acquired by the Association as a result of its operations under this subsection.'"

Mr. REUSS. Mr. Chairman, I make a point of order against the amendment.

The CHAIRMAN. The gentleman will state the point of order.

Mr. REUSS. Mr. Chairman, I make a point of order against the amendment on the ground that it is not germane to section 106, which it apparently seeks to amend.

Section 106 relates to assistance by the Secretary of Housing and Urban Development to nonprofit sponsors of low and middle income housing.

The amendment which I have now heard read apparently has nothing to do with that and, therefore, while there may be an appropriate place for it in the bill, and I would have no objection to it then, it is not germane to section 106.

Mr. MAILLIARD. Mr. Chairman, the amendment simply adds a new authority in the present law to authorities that now exist for Fanny May.

I cannot quite see why it would not be germane simply to add another device by which housing can be sponsored by Fanny May or financed by Fanny May.

The CHAIRMAN (Mr. PRICE of Illinois). The Chair is ready to rule.

The Chair notes after reading the amendment that the substance of it is to amend section 306 of the National Housing Act.

In title I of the pending bill there are numerous amendments to the National Housing Act. Therefore, the Chair holds that the amendment is germane and the point of order against the amendment is overruled.

Mr. MAILLIARD. Mr. Chairman, this amendment would authorize the U.S. Government to guarantee the bonds or debentures issued by any public or private nonprofit organization to help finance projects for the rehabilitation or construction of housing for low-income families.

This is entirely compatible with the other things that are done in this bill. It simply is another device.

I want to call the attention of the committee to the fact that there is a bill in the State legislature in California which has been passed by the assembly and which, I am told, will probably pass the State senate today or tomorrow and which the Governor has agreed to sign which would authorize public corporations to be established for the purpose of financing low-cost housing.

In order to finance the program adequately, some kind of Federal guarantee would obviously be required, because otherwise interest rates would be excessive.

I do not know whether other States

in the Union have undertaken this kind of program, but if they have not, I would certainly recommend that they look into it. It would permit States and localities to get into the act to attract more money from private money markets in an attempt to meet housing requirements.

If the new communities section that is in the Senate bill had been included in the bill before the House, which it is not, I had intended to offer my amendment as an amendment to that section. But since I understand there is probably not going to be an amendment offered to reinstate that section in the bill, I offered my amendment to that part of the bill which appeared to be the most logical, and since the Chair has overruled the point of order, I ask support of the amendment.

Mr. BURTON of California. Mr. Chairman, will the gentleman yield?

Mr. MAILLIARD. I yield to the gentleman from California.

Mr. BURTON of California. Mr. Chairman, I associate myself with the remarks of my distinguished colleague from San Francisco [Mr. MAILLIARD] and join with him in urging that the committee accept the amendment. This amendment is a product of a good deal of time and thoughtful effort on behalf of some of the leading citizens of our area, and I am quite convinced, as I am sure Mr. MAILLIARD is, that this additional tool will make it much more likely that the low-income people of our area will be able to receive more adequate housing than they would in the absence of the adoption of this amendment.

So I join with my colleague in urging my fellow Members on this side of the aisle to support the amendment.

Mr. FARBSTEIN. Mr. Chairman, will the gentleman yield?

Mr. MAILLIARD. I yield to the gentleman from New York.

Mr. FARBSTEIN. As I understand, there would be a guarantee of bonds and mortgages under the gentleman's amendment. Is that correct?

Mr. MAILLIARD. Under the provisions of the amendment FNMA would be authorized to guarantee the bonds, debentures, and obligations of public or nonprofit corporations, the purpose of which is to finance public low-cost housing.

Mr. FARBSTEIN. Therefore, the interest rate could be 7 percent, and we would guarantee 7 percent?

Mr. MAILLIARD. They would have to guarantee whatever the rate was, but with the Federal guarantee, I would anticipate the interest would be considerably below that figure. Without it, I think the figure the gentleman has mentioned might be correct.

Mr. PATMAN. Mr. Chairman, will the gentleman yield?

Mr. MAILLIARD. I yield to the gentleman from Texas.

Mr. PATMAN. The amendment would create a situation in which the Federal Government would guarantee bonds issued by a local entity, say an entity in California. The State Legislature of the gentleman's State is about to pass a law which would permit the issuance of such bonds. Does the gentleman know about how much the cost would be? Does he know what exposure we would have under the amendment? It loaks like an open-end guarantee by the Federal Government.

Mr. MAILLIARD. It has whatever general limitations there are. But the point is, as I explained originally, the concept of the amendment is embodied in the new community section of the Senate bill which, for some reason, was not included in the House bill. Since I could not amend that section, I offered the same setup under FNMA because we do not have in this bill any community section.

Mr. PATMAN. Mr. Chairman, will the gentleman yield further?

Mr. MAILLIARD. I yield to the gentleman from Texas.

Mr. PATMAN. Hearings on the bill were commenced by the subcommittee of which the gentleman from Pennsylvania [Mr. BARRETT] is chairman, along in February. We have been going on almost continuously since then. Either through the subcommittee or through the full committee, did the gentleman submit his amendment at any time?

Mr. MAILLIARD. No, I did not; I will say to the gentleman, because I was unaware of the progress of this bill through my State Legislature, and my interest was aroused in it comparatively recently. Had the committee then been considering the bill, I would have then offered it, but it was too late at that point.

Mr. PATMAN. Does not the gentleman believe it is a little late to ask us to adopt an amendment such as the one offered by the gentleman from California?

Mr. MAILLIARD. I can say to the gentleman that it is perhaps better late than never.

The CHAIRMAN. The time of the gentleman from California has expired.

(On request of Mr. PATMAN, and by unanimous consent, Mr. MAILLIARD was allowed to proceed for 1 additional minute.)

Mr. PATMAN. Does not the gentleman think under the circumstances he would be justified in asking for a study of this subject, and the committee would certainly be glad to give you a hearing on it?

Mr. MAILLIARD. If the committee in its wisdom rejects my amendment, I certainly do not intend to let it lie there. But if, as I expect, the bill to which I have referred becomes law in my own State, then perhaps I would rather not wait if I could get this proposal accepted now.

Mr. PATMAN. Mr. Chairman, if the gentleman will yield further, even though it becomes law in the State of the gentleman, that is not this law. The gentleman is anticipating a law to be passed in his State which, if enacted into law, would permit under this bill the guaranteeing of local obligations.

Mr. MAILLIARD. That is correct.

Mr. PATMAN. That is asking a great deal.

Mr. MAILLIARD. I am asking for it.

Mr. HOSMER. Mr. Chairman, will the gentleman yield?

Mr. MAILLIARD. I yield to the gentleman from California.

Mr. HOSMER. Mr. Chairman, I would like to say that the blind criticism of the gentleman from Texas about the alleged tardiness of this amendment certainly does not seem to me to be consonant with the operation being conducted in the House today. Committees do not rule, committees do not dictate, and committees do not lay down the final language. Otherwise we would not have debate here in the House and the amendatory procedure.

I think it should be thoroughly understood by all Members that when something of this nature arises, if it arises at a time that is not at the time of genesis of a piece of legislation, it certainly should not be called tardy. Certainly those who are alert enough to the changing situation to bring it up when a matter comes to the floor are to be congratulated for their intelligence and are to be encouraged in their desire to do what is right in this piece of legislation.

The CHAIRMAN. The time of the gentleman from California has expired.

(On request of Mr. PATMAN, and by unanimous consent, Mr. MAILLIARD was allowed to proceed for 2 additional minutes.)

Mr. PATMAN. Mr. Chairman, if the gentleman will yield further, may I suggest that this is a responsibility for the Federal Government, and it is an open-ended proposition as written. We do not know how much it could be. It could be as much as the national debt. If all the States took advantage of it, it could be be as much as the national debt.

What I meant about presenting it to the committee was only for the purpose of studying and obtaining facts and making a recommendation to the House of Representatives. We do not propose to dictate. We could not, if we wanted to, and we do not want to.

Mr. MAILLIARD. Mr. Chairman, if the committee in its good judgment thinks this is not opportune, I will be back again, but I would like the committee to pass judgment on whether the States and localities should get into this act and solve it at that level instead of doing it all from Washington. I think we should have an opportunity to vote on it, and I do not believe it is an improper request.

Mr. JONAS. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, may I say to my distinguished colleague from California that I agree with him in his statement that we ought to bring in the States and the local communities and the private sector. I thoroughly support that concept.

My only trouble with the amendment offered by the gentleman is that there is no dollar limitation involved. It is open ended. As I have already pointed out a previous occasion this afternoon, this bill is glibly referred to as involving some $5 to $6 billion, when, as a matter of fact, there are some five or six 40-year programs in this bill—and they are funded through contract authorizations which will bind the taxpayers of the United States for substantial expenditures over a 40-year period.

If we want to relate this only to title I, it will bind the taxpayers of the country to continue to put up $300 million a year for 40 years. That is $12 billion that we today are being asked to obligate future generations to pay. The best I can figure, this bill will involve in these five or six 40-year programs about $50 billion in obligations which we are incurring today by authorizing HUD to enter into contracts that will require the taxpayers of the United States to put up about $50 billion over a period of 40 years.

I emphasize these figures because they have largely been ignored by the press and during the debate. Most of the comment refers to the price tag on this bill being $5.3 billion. But that is just the first year's cost. The price tag on this bill will be closer to $50 billion than to $5. This fact should be understood by all Members before the time comes for a vote on final passage.

In view of the very substantial sums involved in the bill as it came from the committee, I frankly cannot justify voting for a brandnew section which will authorize an agency of the Federal Government, with the full faith and credit of the United States involved, to guarantee an additional number of mortgages in an undetermined amount.

Mr. MAILLIARD. Mr. Chairman, if the gentleman will yield, I believe I can straighten out that point.

Mr. JONAS. One reason why I asked to have the amendment read was I did not hear any figure authorized, or any limitation.

Mr. MAILLIARD. Mr. Chairman, will the gentleman yield?

Mr. JONAS. I am glad to yield to the gentleman from California.

Mr. MAILLIARD. I am not a technician in this field, but the people who did the draftsmanship did assure me this was limited to the total Fannie Mae authorization.

Mr. JONAS. How much is that?

Mr. MAILLIARD. I do not know. Whatever it is, it would not change it. The total authorization would be as it is now. This adds nothing to the obligations of the Federal Government.

Mr. JONAS. It is in the nature of a contract, and we will have to put up some money for it eventually, and there is no information before the Committee today indicating how much exposure the Government will have under the guarantee.

I wish I could support the amendment, because I like the concept of bringing in the States and local communities into the picture, but I cannot vote to add another open-ended section to this bill when the taxpayers are being obligated when the bill is adopted, to at least $50 billion in new spending over the next 40 years.

Mr. HOSMER. Mr. Chairman, I move to strike the requisite number of words.

I rise to ask the author of the amendment a question relating to the cost in this context. As I understand it, the guarantee would be in the nature of the usual guarantee, or similar to the usual guarantee of the FHA in an insurance type of thing, for which certain premiums are charged. As a consequence, the Government would come out even, or perhaps a little ahead.

I yield to the gentleman for an explanation.

Mr. MAILLIARD. It says in the amendment:

The Association—

Which means Fannie Mae—

shall collect from the issuer a reasonable fee for any guaranty under this subsection and shall make such charges as it may determine to be reasonable—

And so forth. It is the usual language.

Mr. HOSMER. In other words, they have to buy this kind of guaranty from the Government on essentially the same financial basis as Fannie Mae now extends guaranties in other areas, which in truth and in fact is on an actuarial basis.

Mr. MAILLIARD. It operates in the standard way.

The point the gentleman from North Carolina was making is that all these are contingent liabilities of the Federal Government. But I do not add any by my amendment.

Mr. HOSMER. I have one further question for the author of the amendment. As I understand the amendment, it is an authorization to Fannie Mae to proceed in this direction, but it does not require Fannie Mae to get into any of it. They can get into it or can not get into it according to the usual rules of business as they see it and carry it on; is that correct?

Mr. MAILLIARD. That is correct. The amendment says, "The Association is authorized". It does not say "directed."

Mr. HOSMER. I thank the gentleman.

Mr. JONAS. Mr. Chairman, will the gentleman yield?

Mr. HOSMER. I yield to the gentleman from North Carolina.

Mr. JONAS. While we are on this subject, though we hear very little about it, it might be well to point out that even FHA has substantial losses already. Of course, it has tremendous reserves, but FHA has already had to foreclose many mortgages, and substantial losses have been sustained. These losses have been very substantial.

Before we go into another open-ended program there ought to be at least some hearings to try to project the amount of the total exposure that would be involved for the Federal Government.

Mr. HOSMER. I merely want to say to the gentleman, the name of this game insurance or guaranty, as one may call it, is to take some losses and collect some revenues and come out even. That is what the people in this business seem to have been able to do.

I do not regard this particular amendment with fear, and I urge its passage.

Mr. GROSS. Mr. Chairman, a parliamentary inquiry.

The CHAIRMAN. The gentleman will state it.

Mr. GROSS. Do not the rules of the House require that a Member stand while addressing the House?

The CHAIRMAN. Members usually stand when they do.

AMENDMENT OFFERED BY MR. GUBSER TO THE THE AMENDMENT OFFERED BY MR. MAILLIARD

Mr. GUBSER. Mr. Chairman, I offer an amendment to the amendment.

The Clerk read as follows:

Amendment offered by Mr. GUBSER to the amendment offered by Mr. MAILLIARD: Add a new subsection:

"(i) The guarantees referred to in subsection (a) shall be limited to $100,000,000."

Mr. GUBSER. Mr. Chairman, I shall not take anywhere near the 5-minute period, but I think that the idea and the new concept presented by the gentleman from California [Mr. MAILLIARD], is so unique and so important that I would not like to see it defeated possibly due to a misunderstanding about any limitation and any question of open endedness. So that we can consider it with a definite limitation of a very modest $100 million, I have on the spur of the moment offered this amendment. I only urge the House please do not reject this novel concept out of hand. We have now a limitation in it. Let us vote for the amendment and then vote the Mailliard amendment. All through this debate we have heard of the serious shortage of low-income housing throughout this country. If we do not pass the Mailliard amendment, we will then be limiting the number of houses which can be made available to low-income people. If we have a shortage and a crisis—and we all admit it is here—let us broaden this base and get as many people into it as we possibly can.

The Mailliard amendment, Mr. Chairman, with the limitation that I have proposed will do just this.

Now, Mr. Chairman, I am happy to yield to the gentleman from Texas.

Mr. PATMAN. Mr. Chairman, this is intended, really, for California. If California is entitled to it, then the other States are entitled to it. Would this not be an exposure of about $50 billion, then, for 50 States?

Mr. GUBSER. I did not get the gentleman's question.

Mr. PATMAN. The gentleman has a limitation in the amendment of $100 million.

Mr. GUBSER. That is right.

Mr. PATMAN. Does that mean for a State, such as, in this case, California, which it is intended to help?

Mr. GUBSER. It is an overall limitation for the entire Nation.

Mr. PATMAN. You want to help that State. Do you not think we ought to study this first and find out what all of the problems are?

Mr. GUBSER. I think the gentleman will agree that it is a very, very modest limitation. It is certainly not a far-reaching program, as it is limited, but this gives us a trial of the concept. If we have a housing shortage, let us get the State and local governments and nonprofit corporations involved. I think the gentleman from California [Mr. MAILLIARD] has performed a great service in offering this amendment, and I hope it will be voted out.

The CHAIRMAN. The question is on the amendment offered by the gentleman from California [Mr. GUBSER] to the

amendment offered by the gentleman from California [Mr. MAILLIARD].

The amendment to the amendment was rejected.

The CHAIRMAN. The question is on the amendment offered by the gentleman from California [Mr. MAILLIARD].

The question was taken; and on a division (demanded by Mr. MAILLIARD) there were—ayes 29, noes 44.

So the amendment was rejected.

AMENDMENTS OFFERED BY MR. JONAS

Mr. JONAS. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. JONAS: On page 29, in line 4, after the period add the following sentence: "An annual business-type budget for the fund shall be prepared, transmitted to the Congress, considered, and enacted in the manner prescribed by law (sections 102, 103, and 104 of the Government Corporation Control Act (31 U.S.C. 847–849)) for wholly owned Government corporations."

Mr. JONAS. Mr. Chairman, if I may have the attention of the distinguished chairman of the Committee on Banking and Currency, I believe he will accept this amendment. It is one of three similar amendments I propose to offer where revolving funds are set up in the bill.

Mr. Chairman, this is similar to the way the revolving fund is handled in the Small Business Administration. The gentleman from Texas is perfectly familiar with that operation. The amendment will merely require that an annual business-type budget be submitted to the Congress so we will have an opportunity to check up on how this revolving fund is being operated. This is the only way Congress will have any opportunity to discuss the operation of the revolving fund and check up on what the Department is doing under the widespread authority granted in this bill.

Mr. Chairman, I hope the gentleman from Texas will agree to the amendment because I think it helps the bill.

Mr. PATMAN. Mr. Chairman, will the gentleman yield?

Mr. JONAS. I yield to the gentleman from Texas.

Mr. PATMAN. Will the gentleman from North Carolina state what the other two amendments are?

Mr. JONAS. They are on subsequent pages of the bill. One appears at page 206 in line 22 which deals with another revolving fund and is in substance the same amendment.

Mr. PATMAN. Mr. Chairman, if the gentleman will yield further, they are all in substance similar to this particular amendment?

Mr. JONAS. That is correct and I shall offer those amendments when the titles to which they apply are read.

Mr. PATMAN. Then those are all the amendments which the gentleman from North Carolina has to offer?

Mr. JONAS. There are these three amendments, but there is a fourth amendment on another subject which will receive a little more attention and perhaps involve more debate than I anticipate on the three amendments we are now discussing.

Mr. PATMAN. If we agree to take these three, then you will not propose to offer the other?

Mr. JONAS. No, I would not agree to that trade. I must offer the fourth amendment at the appropriate time.

Mr. PATMAN. Personally, I am not advocating the three amendments. They have an appeal. They are comparable to other things which are being done by the Small Business Administration and I would ask the House if the Members of the Committee will, to accept the amendments and then we shall take them to conference, put them into the bill and see if we can agree upon them in conference.

Mr. JONAS. Mr. Chairman, I ask unanimous consent that all three of my amendments be considered together, if that is permissible. I understand we are only reading title I. The other amendments apply to other titles.

The CHAIRMAN. Is there objection to the request of the gentleman from North Carolina?

There was no objection.

The CHAIRMAN. The Clerk will report the other two amendments.

The Clerk read as follows:

Amendments offered by Mr. JONAS: On page 206, after line 22, insert the following new subsection:

"(d) An annual business-type budget for the fund shall be prepared, transmitted to the Congress, considered, and enacted in the manner prescribed by law (sections 102, 103, and 104 of the Government Corporation Control Act (31 U.S.C. 847–849)) for wholly-owned Government corporations."

On page 227, after line 9, insert the following new subsection:

"(e) An annual business-type budget for the fund shall be prepared, transmitted to the Congress, considered, and enacted in the manner prescribed by law (sections 102, 103, and 104 of the Government Corporation Control Act (31 U.S.C. 847–849)) for wholly-owned Government corporations."

The CHAIRMAN. The question is on the amendments offered by the gentleman from North Carolina [Mr. JONAS].

The amendments were agreed to.

The CHAIRMAN. If there are no further amendments to title I, the Clerk will read.

The Clerk read as follows:

TITLE II—RENTAL HOUSING FOR LOW AND MODERATE INCOME FAMILIES

PART A—PRIVATE HOUSING

RENTAL AND COOPERATIVE HOUSING FOR LOW AND MODERATE INCOME FAMILIES

SEC. 201. (a) Title II of the National Housing Act is amended by adding after section 235 (as added by section 101 of this Act) the following new section:

"RENTAL AND COOPERATIVE HOUSING FOR LOW AND MODERATE INCOME FAMILIES

"SEC. 236. (a) For the purpose of reducing rentals for low and moderate income families, the Secretary is authorized to make, and to contract to make, periodic interest reduction payments on behalf of the owner of a rental housing project designed for occupancy by low and moderate income families which shall be accomplished through payments to mortgagees holding mortgages meeting the special requirements specified in this section.

"(b) Interest reduction payments with respect to a project shall only be made during such time as the project is operated as a rental housing project and is subject to a mortgage which meets the requirements of, and is insured under, subsection (j) of this section: *Provided*, That interest reduction payments may be made with respect to a rental or cooperative housing project owned by a private nonprofit corporation or other private nonprofit entity, a limited dividend corporation or other limited dividend entity, or a cooperative housing corporation, which is financed under a State or local program providing assistance through loans, loan insurance, or tax abatements, and which, prior to completion of construction or rehabilitation, is approved for receiving the benefits of this section.

"(c) The interest reduction payments to a mortgagee by the Secretary on behalf of a project owner shall be in an amount not exceeding the difference between the monthly payment for principal, interest, and mortgage insurance premium which the project owner as a mortgagor is obligated to pay under the mortgage and the monthly payment for principal and interest such project owner would be obligated to pay if the mortgage were to bear interest at the rate of 1 per centum per annum.

"(d) The Secretary may include in the payment to the mortgagee such amount, in addition to the amount computed under subsection (c), as he deems appropriate to reimburse the mortgagee for its expenses in handling the mortgage.

"(e) As a condition for receiving the benefits of interest reduction payments, the project owner shall operate the project in accordance with such requirements with respect to tenant eligibility and rents as the Secretary may prescribe. Procedures shall be adopted by the Secretary for review of tenant incomes at intervals of two years (or at shorter intervals where the Secretary deems it desirable).

"(f) For each dwelling unit there shall be established with the approval of the Secretary (1) a basic rental charge determined on the basis of operating the project with payments of principal and interest due under a mortgage bearing interest at the rate of 1 per centum per annum; and (2) a fair market rental charge determined on the basis of operating the project with payments of principal, interest, and mortgage insurance premium which the mortgagor is obligated to pay under the mortgage covering the project. The rental for each dwelling unit shall be at the basic rental charge or such greater amount, not exceeding the fair market rental charge, as represents 20 per centum of the tenant's income.

"(g) The project owner shall, as required by the Secretary, accumulate, safeguard, and periodically pay to the Secretary all rental charges collected in excess of the basic rental charges. Such excess charges shall be deposited by the Secretary in a fund which may be used by him as a revolving fund for the purpose of making interest reduction payments with respect to any rental housing project covered by a mortgage insured under this section, subject to limits approved in appropriation Acts pursuant to subsection (i). Moneys in such fund not needed for current operations may be invested in bonds or other obligations of the United States or in bonds or other obligations guaranteed as to principal and interest by the United States.

"(h) In addition to establishing the requirements specified in subsection (e), the Secretary is authorized to make such rules and regulations, to enter into such agreements, and to adopt such procedures as he may deem necessary or desirable to carry out the provisions of this section.

"(i) There are authorized to be appropriated such sums as may be necessary to carry out the provisions of this section, including such sums as may be necessary to make interest reduction payments under contracts entered into under this section. The aggregate amount of contracts to make such payments shall not exceed amounts approved in appropriation Acts, and payments pursuant to such contracts shall not exceed $75,000,000 per annum prior to July 1, 1969, which maximum dollar amount shall be

increased by $100,000,00 on July 1, 1969, and by $125,000,000 on July 1, 1970.

"(j)(1) The Secretary is authorized, upon application by the mortgagee, to insure a mortgage (including advances on such mortgage during construction) which meets the requirements of this subsection. Commitments for the insurance of such mortgages may be issued by the Secretary prior to the date of their execution or disbursement thereon, upon such terms and conditions as he may prescribe.

"(2) As used in this subsection—

"(A) the terms 'family' and 'families' shall have the same meaning as in section 221;

"(B) the term 'elderly or handicapped families' shall have the same meaning as in section 202 of the Housing Act of 1959; and

"(C) the terms 'mortgage', 'mortgagee', and 'mortgagor' shall have the same meaning as in section 201.

"(3) To be eligible for insurance under this subsection, a mortgage shall meet the requirements specified in subsections (d)(1) and (d)(3) of section 221, except as such requirements are modified by this subsection. In the case of a project financed with a mortgage insured under this subsection which involves a mortgagor other than a cooperative or a private nonprofit corporation or association and which is sold to a cooperative or a nonprofit corporation or association, the Secretary is further authorized to insure under this subsection a mortgage given by such purchaser in an amount not exceeding the appraised value of the property at the time of purchase, which value shall be based upon a mortgage amount on which the debt service can be met from the income of the property when operated on a nonprofit basis, after payment of all operating expenses, taxes, and required reserves.

"(4) A mortgage to be insured under this subsection shall—

"(A) be executed by a private mortgagor eligible under subsection (d)(3) or (e) of section 221;

"(B) bear interest (exclusive of premium charges for insurance and service charges, if any) at not to exceed such per centum per annum (not in excess of 6 per centum), on the amount of the principal obligation outstanding at any time, as the Secretary finds necessary to meet the mortgage market; and

"(C) provide for complete amortization by periodic payments within such term as the Secretary may prescribe.

"(5) The property or project shall—

"(A) comply with such standards and conditions as the Secretary may prescribe to establish the acceptability of the property for mortgage insurance and may include such nondwelling facilities as the Secretary deems adequate and appropriate to serve the occupants and the surrounding neighborhood: *Provided,* That the project shall be predominantly residential and any nondwelling facility included in the mortgage shall be found by the Secretary to contribute to the economic feasibility of the project, and the Secretary shall give due consideration to the possible effect of the project on other business enterprises in the community: *Provided further,* That, in the case of a project designed primarily for occupancy by elderly or handicapped families, the project may include related facilities for use by elderly or handicapped families, including cafeterias or dining halls, community rooms, workshops, infirmaries or other inpatient or outpatient health facilities, and other essential service facilities;

"(B) include five or more dwelling units; and

"(C) be designed primarily for use as a rental project to be occupied by low and moderate income families or by elderly or handicapped families: *Provided,* That low and moderate income persons who are less than sixty-two years of age shall be eligible for occupancy in such a project, but not more than 10 per centum of the dwelling units in any such project shall be available for occupancy by such persons.

"(6) With the approval of the Secretary, the mortgagor may sell the individual dwelling units to low and moderate income or elderly or handicapped purchasers. The Secretary may consent to the release of the mortgagor from his liability under the mortgage and the credit instrument secured thereby, or consent to the release of parts of the mortgaged property from the lien of the mortgage, upon such terms and conditions as he may prescribe, and the mortgage may provide for such release.

"(k) As used in this section the term 'tenant' includes a member of a cooperative; the term 'rental housing project' includes a cooperative housing project; and the terms 'rental' and 'rental charge' mean, with respect to members of a cooperative, the charges under the occupancy agreements between such members and the cooperative.

"(l) The Secretary shall from time to time allocate and transfer to the Secretary of Agriculture, for use (in accordance with the terms and conditions of this section) in rural areas and small towns, a reasonable portion of the total authority to contract to make periodic interest reduction payments as approved in appropriation Acts under subsection (i)."

(b) (1) Section 212(a) of such Act is amended by striking out "or 232" in the first sentence of the second paragraph and inserting in lieu thereof ", 232, or 236".

(2) Section 227(a) of such Act is amended by striking out "or (viii) under section 234(d)" and inserting in lieu thereof "(viii) under section 234(d), or (ix) under section 236".

(3) Section 227(c) of such Act is amended by striking out "or section 233(b)(2)" each place it appears and inserting in lieu thereof "section 233, or section 236".

(c) The Secretary of Housing and Urban Development is authorized, upon such terms and conditions as he may prescribe, to transfer to section 236(j) of the National Housing Act the insurance of a mortgage which has not been finally endorsed for insurance under section 221(d)(3) of such Act and which has been approved for the below-market interest rate prescribed in the proviso of section 221(d)(5) of such Act.

(d) The Secretary of Housing and Urban Development is authorized, upon such terms and conditions as he may prescribe, to insure under section 236(j) of the National Housing Act a mortgage meeting the requirements of such section which is given to refinance a mortgage loan made under section 202 of the Housing Act of 1959: *Provided,* That the application for such insurance is filed with the Secretary on or before the date of project completion, or within such reasonable time thereafter as the Secretary may permit.

(e)(1) Section 101(d) of the Housing and Urban Development Act of 1965 is amended by striking out "one-fourth" and inserting in lieu thereof "one-fifth".

(2) Section 101(g) of such Act is amended by striking out "or 231(c)(3)" and inserting in lieu thereof ", 231(c)(3), or 236".

(3) Section 101(j)(1) of such Act is amended—

(A) by striking out "and" at the end of subparagraph (B);

(B) by striking out the period at the end of subparagraph (C) and inserting in lieu thereof "; and"; and

(C) by inserting after subparagraph (C) a new subparagraph as follows:

"(D) a private nonprofit corporation or other private nonprofit legal entity, a limited dividend corporation or other limited divided legal entity, or a cooperative housing corporation, which is a mortgagor under a mortgage insured under section 236(j) of the National Housing Act which has been approved for receiving the benefits of this section: *Provided,* That payments shall not be made with respect to more than 20 per centum of the dwelling units in any property so financed."

(f) Section 207 of the Appalachian Regional Development Act of 1965 is amended—

(1) by inserting in the heading "AND SECTION 236" immediately after "SECTION 221";

(2) by inserting "or section 236" after "section 221" each place it appears;

(3) by inserting "or 'section 236'" after "'section 221'" in subsection (a); and

(4) by inserting ", Government National Mortgage Association," immediately after "Federal Housing Administration" in subsection (c).

(g) The first sentence of section 305(i) of the National Housing Act is amended—

(1) by striking out "or (3)" and inserting in lieu thereof "(3)", and

(2) by inserting after "221(e)" the following: ", or (4) a mortgage insured under section 236".

RENT SUPPLEMENT PROGRAM

SEC. 202. (a) Section 101(a) of the Housing and Urban Development Act of 1965 is amended by striking out everything after the word "exceed" the second time the word appears in the third sentence and inserting in lieu thereof the following: "$150,000,000 per annum prior to July 1, 1969, which maximum dollar amount shall be increased by $40,000,000 on July 1, 1969, and by $100,000,000 on July 1, 1970."

(b) Section 101(b) of such Act is amended by inserting after the first sentence the following: "Such term also includes a private nonprofit corporation or other private nonprofit legal entity, a limited dividend corporation or other limited dividend legal entity, or a cooperative housing corporation, which is the owner of a rental or cooperative housing project financed under a State or local program providing assistance through loans, loan insurance, or tax abatement and which prior to completion of construction or rehabilitation is approved for receiving the benefits of this section."

PART B—LOW-RENT PUBLIC HOUSING

INCREASED LOW-RENT PUBLIC HOUSING AUTHORIZATION

SEC. 203. (a) Section 10(e) of the United States Housing Act of 1937 is amended by striking out "$366,250,000 per annum which limit shall be increased by $47,000,000 on the date of enactment of the Housing and Urban Development Act of 1965, and by further amounts of $47,000,000 on July 1 in each of the years 1966, 1967, and 1968, respectively," in the first sentence and inserting in lieu thereof the following: "$554,250,000 per annum, which limit shall be increased by $100,000,000 on the date of enactment of the Housing and Urban Development Act of 1968 and by further amounts of $150,000,000 on July 1 in each of the years 1969 and 1970,".

(b) Section 20 of such Act is amended—

(1) by striking out "not to exceed $1,500,000,000" in the first sentence and inserting in lieu thereof "which shall not, unless authorized by the President, exceed $1,500,000,000"; and

(2) by inserting after the first sentence the following: "For the purpose of determining obligations incurred to make loans pursuant to this Act against any limitation otherwise applicable with respect to such loans, the Secretary shall estimate the maximum amount to be loaned at any one time pursuant to loan agreements then outstanding with public housing agencies."

UPGRADING MANAGEMENT AND SERVICES IN PUBLIC HOUSING PROJECTS

SEC. 204. Section 15 of the United States Housing Act of 1937 is amended by adding at the end thereof the following new paragraph:

"(10) The Secretary is authorized to enter into contracts to make grants to public housing agencies to assist, where necessary, in financing tenant services for families living

in low-rent housing projects. In making such contracts and grants, the Secretary shall give preference to programs providing for the maximum feasible participation of the tenants in the development and operation of such tenant services. For purposes of this paragraph the term 'tenant services' includes (without being limited to) the following services and activities for families living in low-rent housing projects: counseling on household management, housekeeping, budgeting, money management, child care, and similar matters; advice as to resources for job training and placement, education, welfare, health, and other community services; services which are directly related to meeting tenant needs and providing a wholesome living environment, including intertenant activities; and referral to appropriate agencies when necessary for the provision of such services. To the maximum extent available and appropriate, existing public and private agencies in the community shall be used for the provision of such services. There are authorized to be appropriated for the purposes of this paragraph not to exceed $20,000,000 for the fiscal year ending June 30, 1969, and not to exceed $40,000,000 for the fiscal year ending June 30, 1970."

PURCHASE OF UNITS BY TENANTS

SEC. 205. Section 15(9) of the United States Housing Act of 1937 is amended by striking out "which is suitable by reason of its detached or semidetached construction" and inserting in lieu thereof ", if the property to be acquired is sufficiently separable from other property retained by the public housing agency to make it suitable".

PUBLIC HOUSING IN INDIAN AREAS

SEC 206. (a) Section 1 of the United States Housing Act of 1937 is amended by striking out "urban and rural nonfarm" in the first sentence and inserting in lieu thereof "urban, rural nonfarm, and Indian".

(b) Section 10(a) of such Act is amended by inserting "or Indian" after "nonfarm" in the fourth proviso.

LIMITATION ON HIGH-RISE STRUCTURES IN LOW-RENT PUBLIC HOUSING PROJECTS

SEC. 207. Section 15 of the United States Housing Act of 1937 is amended by adding at the end thereof (after the new paragraph added by section 204 of this Act) the following new paragraph:

"(11) Except in the case of housing predominantly for the elderly, upon enactment of this paragraph, the Secretary shall not approve high-rise elevator projects for families with children unless he makes a determination that there is no practical alternative."

PROHIBITION AGAINST CERTAIN LIMITATIONS ON TYPES OR CATEGORIES OF LOW-RENT HOUSING IN PRIVATE ACCOMMODATIONS

SEC. 208. The first sentence of section 23(d) of the United States Housing Act of 1937 is amended by inserting before the period at the end thereof the following: "(and no limitation not specifically provided for in this section shall be imposed by regulations of the Authority on the types or categories of structures or dwelling units, qualifying under subsection (a)(3) and approved under subsection (c), which may be so used in any community)".

LIMITATION ON NUMBER OF UNITS OF LOW-RENT HOUSING IN PRIVATE ACCOMMODATIONS PER STRUCTURE

SEC. 209. The first sentence of section 23(c) of the United States Housing Act of 1937 is amended by striking out "not exceeding 10 per centum of the units in any single structure except" and inserting in lieu thereof the following: "not exceeding, in the case of any single structure, the lesser of (i) ten units or 10 per centum of the units of the structure, whichever is greater, or (ii) 50 per centum of the units in the structure, with such lesser number being increased (if it is not a whole number) to the next higher whole number; except".

SALE TO TENANTS OF LOW-RENT HOUSING IN PRIVATE ACCOMMODATIONS

SEC. 210. (a) Section 23(f) of the United States Housing Act of 1937 is amended by inserting "(1)" after "shall not apply to", and by inserting before the period at the end thereof the following: ", or (2) housing purchased (or in the process of purchase) by the public housing agency for reseale to tenants as provided in subsection (g)".

(b) Section 23 of such Act is further amended by adding at the end thereof the following new subsection:

"(g) To the extent authorized in contracts entered into by the Authority with a public housing agency, such agency may purchase any structure containing one or more dwelling units leased to provide low-rent housing in private accommodations under this section for the purpose of reselling the structure to the tenant or tenants of the structure or to a group of such tenants occupying units aggregating in value at least 80 per centum of the structure's total value. Any such resale shall be made subject to such terms and conditions (including provision for deferment of the required downpayment and for elimination of or adjustments in the required interest payments during a temporary period) as may be necessary to enable the tenants involved to make the purchase without undue financial hardship."

ADDITIONAL SUBSIDY FOR LARGE FAMILIES AND FAMILIES OF UNUSUALLY LOW INCOME

SEC. 211. (a) Section 2(2) of the United States Housing Act of 1937 is amended by inserting at the end thereof the following new sentences: "The term 'large families' means families which include four or more minors. The term 'families of unusually low income' means families with incomes below the income level established by the public housing agency, as approved by the Authority, who could not be housed without the additional subsidy authorized under section 10(a)."

(b) The first proviso in section 10(a) of such Act is amended—

(1) by inserting after "an elderly family," the following: "or a large family, or a family of unusually low income,";

(2) by striking out "to lease the dwelling unit to an elderly or displaced family at a rental it could afford and"; and

(3) by striking out ". and, in the case of displaced families, if and to the extent that the average or estimated average rental for units so occupied by such families was less than the rental which the Authority determines, on the basis of the average or estimated average project rentals, would have been established in leasing the units to families which were neither elderly nor similarly displaced".

Mr. PATMAN (during the reading). Mr. Chairman, I ask unanimous consent that title II be considered as read, printed in the RECORD, and open to amendment at any point.

The CHAIRMAN. Is there objection to the request of the gentleman from Texas?

There was no objection.

AMENDMENT OFFERED BY MR. BROCK

Mr. BROCK. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. BROCK: On page 56, line 21, strike out "20 per centum" and insert "25 per centum."

Mr. BROCK. Mr. Chairman, the rent supplement program has been operating for 2 or 3 years now. It has been operating at the level where a family would receive assistance payments when the rental they are paying exceeds 25 percent of their income. The committee adopted an amendment offered by the gentleman from Wisconsin reducing this figure to 20 percent, and it then became comparable to the figure which was used on homeownership.

I offered an amendment to change homeownership to 25 percent, and that failed.

I would like to offer the same amendment on rent supplements with this one additional argument: It seems to me that the whole thrust of this bill is to change the course and direction of the housing program that exists in this country. It is designed to encourage the maximum opportunity for the acquisition of a home as opposed to the rental of a home in either low rent or public housing. If we are going to put a subsidy on the low- to moderate-income families then under what possible degree of logic can we offer the same subsidy for a family in rental units that we do in ownership, because the homeowner has to pay property taxes, he has to do the renovation, he has to do the maintenance, and it does seem to me that there should be a differential between the two amounts.

Secondly, I believe it has become very patently clear that the rent supplement program is not achieving its objectives. It has not done an adequate job. I would hope that, rather than going the wrong way with the program, at least we could try to encourage HUD to do a better job of administering the program that exists rather than going the wrong way and encourage a considerable increase to the degree of the problem.

Mr. BROWN of Michigan. Mr. Chairman, will the gentleman yield?

Mr. BROCK. I yield to the gentleman.

Mr. BROWN of Michigan. I would like to concur with the gentleman completely, for the reasons stated earlier this afternoon on the floor with respect to the homeownership program. I would think, consistent with the logic that went with the level of income that is applicable to payments for homeownership that the gentleman from Wisconsin and others who supported that level of income payment, should support the gentleman from Tennessee in his efforts at this time.

Mr. ECKHARDT. Mr. Chairman, will the gentleman yield?

Mr. BROCK. I yield to the gentleman.

Mr. ECKHARDT. If the gentleman from Tennessee's first amendment had been passed, would he offer this amendment at 30 percent to maintain that differential?

Mr. BROCK. I think that probably I would—and maybe 40 percent. I am not for rent supplements, as the gentleman probably knows, and I honestly would hope that we could reduce this program and expand the concept of homeownership and the rent certificate program, both of which seem to offer to me a much greater potential for helping the people we are trying to help.

Mr. REUSS. Mr. Chairman, I rise in opposition to the amendment.

Mr. Chairman, I will be very brief, because this Committee just a few minutes

ago voted down a somewhat similar amendment offered by the gentleman from Tennessee [Mr. BROCK] with respect, in that case, to homeownership, which would have raised the housing expense payment from 20 percent to 25 percent of income.

The current Brock amendment would do the same thing for rental housing.

As the bill is set up, a family with a $4,000 annual income would not be asked to pay more than 20 percent; that is, $800 a year for rental.

The Brock amendment would require an extra $200 a year, for a total of $1,000.

That difference, small though it may seem, of $200 a year is the difference between whether that very marginal family is able to find enough to feed the children and clothe the children, pay for medical expenses, and to have a little left over for some of the other essential budgetary items.

If you start raising the rental from $800 to $1,000 a year, or as you go upwards by a larger amount, you simply mean that you impose a greater hardship upon the family with a lot of children because those children want to eat and to have clothes and that costs money. If you are going to require that it be taken out of the rental budget amount, you are going to require that it be taken out of the mouths of the rest of the family.

As I said before, the uniform FHA experience is that 20 percent is right and proper. If you go any higher than that, you are simply putting into a financial bind the family that you are trying to help. So I hope, and no further words of mine I am sure are necessary, that the Brock amendment will be defeated.

Mr. BROWN of Michigan. Mr. Chairman, will the gentleman yield?

Mr. REUSS. I yield to the gentleman.

Mr. BROWN of Michigan. I am somewhat amazed at the inconsistency of the gentleman's arguments.

Furthermore, I am somewhat amazed to see that he is opposing the administration position with respect to this measure. The gentleman will recall that the bill, as introduced by the administration, provided for the very thing that the Brock amendment will accomplish.

Mr. REUSS. I would remind the gentleman that inconsistency is the hallmark of great minds. I never fear to oppose the administration when it is wrong. Furthermore, here the overwhelming majority of the House Committee on Banking and Currency felt that 20 percent is the right figure. I hope that that figure will be maintained and that the pending amendment is voted down.

Mr. BROWN of Michigan. Mr. Chairman, will the gentleman yield further?

Mr. REUSS. I yield to the gentleman.

Mr. BROWN of Michigan. I would just remind the gentleman that the statement which he quoted starts out with something to the effect that "foolish inconsistency" and I would not charge the gentleman from Wisconsin with foolish inconsistency.

Mr. REUSS. That is why I changed the wording.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Tennessee [Mr. BROCK].

The question was taken; and on a division (demanded by Mr. BROCK) there were—ayes 40, noes 42.

Mr. BROCK. Mr. Chairman, I demand tellers.

Tellers were ordered, and the Chairman appointed as tellers Mr. BROCK and Mr. PATMAN.

The Committee again divided, and the tellers reported that there were—ayes 81, noes 75.

So the amendment was agreed to.

AMENDMENT OFFERED BY MR. GROSS

Mr. GROSS. Mr. Chairman, I offer an amendment. The Clerk read as follows:

Amendment offered by Mr. GROSS: On page 66, strike all of lines 16 through 23, and on page 67, strike all of lines 1 through 22, and renumber the succeeding sections accordingly.

(Mr. GROSS asked and was given permission to revise and extend his remarks.)

Mr. GROSS. Mr. Chairman, this amendment would strike all of section 204, beginning on page 66 and ending at the bottom of page 67. It would strike out the authorization for a total of $60 million—$20 million of it in the fiscal year, 1969, and $40 million, doubling the amount, for the fiscal year ending June 30, 1970, or a total of $60 million.

This money is for what purpose? It is for so-called tenant services. I wonder how long it took the bureaucrats to dream up this one. There are literally hundreds of different Government bulletins and publications issued each year dealing with most of the items which are specified in the bill as "tenant services."

Mr. BARRETT. Mr. Chairman, will the gentleman yield?

Mr. GROSS. I yield to the gentleman from Pennsylvania.

Mr. BARRETT. Mr. Chairman, let me see if I can set the gentleman straight on this. We are dealing here with a bill of $5.3 billion, and we are certainly dealing in titles I and II with $300 million, and we are asking in this bill only for $16 million for management and counseling of tenants. We are hoping we can teach the tenants, who have never had the opportunity to learn it, how to budget their money and how to pay their rent.

Mr. GROSS. Let us stop right there. I can read the bill. What I need the gentleman to tell me is who will teach these people, for instance, how to budget their money?

Mr. BARRETT. This is a very good point. I am glad the gentleman brought it up. There are contracts to be given to people knowledgeable in this field who will go to the people when they purchase a home.

Mr. GROSS. Then it is proposed to go out and hire consultants to tell the people how to budget?

Mr. BARRETT. The gentleman knows there is no individual in HUD who can do this alone.

Mr. GROSS. No individual in what?

Mr. BARRETT. In Housing and Urban Development.

Mr. GROSS. Does the gentleman mean to say they are so short-staffed down there or that they do not have the knowledge?

Mr. BARRETT. I am not talking on that point. I am talking on the point as to how we can indoctrinate these people to live so they can pay their bills and save the government money, so we do not have to backtrack over what we are doing today, and teach them how to get 100 pennies out of every dollar.

Mr. GROSS. I think we are doing a good job with all the low-cost and low-rent housing we are giving these people. I think we are doing a pretty good job of taking care of them. It seems to me they could write to a Member of Congress or to the various Government agencies and get the publications which are put out, many of them free, telling them how to take care of their children. We have bulletins and publications dealing with how they should live, and how they should cut their toenails and fingernails. We do not have to spend $60 million in 2 years for that purpose.

Mr. WILLIAMS of Pennsylvania. Mr. Chairman, will the gentleman yield?

Mr. GROSS. I will yield to anybody who can help explain the necessity for this kind of indoctrination.

Mr. WILLIAMS of Pennsylvania. Mr. Chairman, I wanted to ask the gentleman a question. Does the amendment offered by the gentleman strike all the management and tenant services in the housing projects, listed from line 16 on page 66 down through line 22 on page 67?

Mr. GROSS. It will do just exactly that.

May I have the gentleman's support?

Mr. DEL CLAWSON. Mr. Chairman, will the gentleman yield?

Mr. GROSS. I yield to the gentleman from California.

Mr. DEL CLAWSON. Perhaps we should have the Federal Government advise these folks on how to balance their budgets and spend their money, since we do such a wonderful job in the Federal Government of balancing our budget and spending our money. Perhaps we should counsel them.

Mr. GROSS. The gentleman is right. We need some help here. Perhaps we need a consulting firm to tell us. Seriously, if I have my way, we will not be bothered with it in this bill.

Mr. DEL CLAWSON. I will join with the gentleman. I will be happy to discard the section.

Mr. HALL. Mr. Chairman, will the gentleman yield?

Mr. GROSS. I yield to the gentleman from Missouri.

Mr. HALL. I would agree that we do a good job under the MDTA, the Technical Training Service Act, and the Vocational Rehabilitation and Education Act in job training. Certainly, under the education provisions, we advise 67 different ways how they can get educational grants and further education.

The CHAIRMAN. The time of the gentleman from Iowa has expired.

(By unanimous consent, Mr. GROSS was allowed to proceed for 3 additional minutes.)

Mr. HALL. Let me ask the gentleman a question. Since these are all services—and, parenthetically, they apply only to rental housing, and not homeownership, if I read the bill correctly—what are the "intertenant activities"? I thought at first it was entertainment, but it is not; it is "intertenant activities and services."

Mr. GROSS. That is probably one tenant activating across the hall or something. I do not know. That could be almost anything; communicating across the hall, or from one floor to the next.

Mr. HALL. It would involve elevators, too; would it not?

Mr. GROSS. Yes; it could.

Mr. HALL. Elevators are not precluded in this rental housing.

Mr. GROSS. No. I say to my friend from Missouri, we might take a look at this household management provision. Here we have Betty Furness, who is paid a fancy Government salary. Before she came forth to grace all of us with her presence all she did was open television refrigerator doors. She did not even buy her own food. She said she had a housekeeper who shopped for her. She is an expert now on consumer- and home-management problems. What more do they need?

It seems to me that Betty Furness, with all the publications she has at her disposal, and based on the salary she is paid and the staff she has, could counsel these people on household management and how to budget food bills.

Mr. HALL. And perhaps on "intertenant" activities, up and down the hall.

Mr. GROSS. Surely, on intertenant activities. Why not?

I hope that somebody in this group of gentlemen representing the Committee on Banking and Currency will be good enough to stand up here this afternoon and go into detail about the services, the interactivities and all the rest of this stuff, for which you want the taxpayers to cough up $60 million in the next 2 years.

Better still, adopt my amendment and forget about it.

Mr. REUSS. Mr. Chairman, I rise in opposition to the amendment.

Mr. Chairman, the Gross amendment seeks to strike the entire section entitled, "Upgrading Management and Services in Public Housing Projects."

That section, in a nutshell, recognizes that the people who live in public housing projects are human beings, with human aspirations, and tries to help them help themselves by giving them a variety of services: counseling on household management, housekeeping, budgeting, money management, child care, to mention several.

The gentleman from Iowa [Mr. GROSS], has asked who it was who stayed up late at night thinking that one up.

Mr. GROSS. "Dreaming," if the gentleman will yield.

Mr. REUSS. I will tell the gentleman the person who stayed up late at night dreaming that one up. He is a distinguished Republican, a loyal 100-percent Republican, and a very valuable member of the House Committee on Banking and Currency, the gentleman from Michigan [Mr. GARRY BROWN], who literally stayed up late at night working out those words on the intertenant activities and everything else. We on our side supported him, and so did many on the minority side of the committee, because it is sound.

If the gentlemen in the minority would spend less time devouring their own young on the floor this afternoon, we would have a better bill.

I urge that the amendment be voted down.

Mr. BROCK. Mr. Chairman, I move to strike the requisite number of words.

Mr. GROSS. Mr. Chairman, will the gentleman yield for a quick observation?

Mr. BROCK. I yield to the gentleman.

Mr. GROSS. I only hope that I have been successful in making a contribution to "devouring the young" that ought not to have been produced by this bill.

Mr. BROCK. Mr. Chairman, in defense of the gentleman from Michigan [Mr. BROWN], I would like to point out that his amendment was offered to write in some specific language because there was not any language at all in the bill as it was submitted by the administration. It was a total carte blanche, and the gentleman from Michigan felt if we are going to have some language in there for tenant services, at least we should spell out some of the areas that we are concerned with so that HUD will not be going into far-off fields. That is the thrust of the gentleman's amendment.

Mr. REUSS. Mr. Chairman, will the gentleman yield?

Mr. BROCK. I am glad to yield to the gentleman.

Mr. REUSS. The gentleman from Michigan needs no defense. He did a magnificent job on this section. I am confident that the House will endorse his handiwork.

Mr. BROCK. In my opinion, the whole section needs some handiwork, because it is a terrible misfortune, in my opinion, to have something like this in housing legislation. This particular section, even with the gentleman from Michigan's amendment in it, has this particular flaw. It says, "and other related services." So there is still an unlimited function available to these people to get into local activities.

Let me give you an example. In my own State, as in yours in most cases, we provide extension services which go out and provide counseling to these families in the fields of budgeting, home management, home economics, food planning, and all the rest. When you put in this particular thing you are telling the University of Tennessee or any other university that cares about the people of its State to go fly a kite. You tell them, "We are going to take over your functions. You do not need to be responsible on the local level any more."

The gentleman from Pennsylvania said that we are going to indoctrinate these people. Well, it is about time we stopped indoctrinating the American people and let them live their own lives for a change.

I do not like this, and I will not participate in supporting a section which allows an agency of this Government to indoctrinate the American people. They do not need it, my friends. I oppose the amendment.

Mr. BARRETT. Mr. Chairman, will the gentleman yield?

Mr. BROCK. I yield to the gentleman.

Mr. BARRETT. I thank the gentleman.

It is necessary to help these people.

Mr. BROCK. Mr. Chairman, I decline to yield any further.

Mr. BARRETT. We have to try to help them——

Mr. BROCK. Mr. Chairman, I refuse to yield further.

I want to say without any qualification whatsoever that I deeply resent such criticism of the people of Tennessee or any other State and particularly resent the word "indoctrinate." It is a foreign word—foreign in implication and in effect.

Mr. KYL. Mr. Chairman, will the gentleman yield?

Mr. BROCK. I am glad to yield to the gentleman.

Mr. KYL. How will these services contemplated here differ from the services of the OEO, and those being offered by welfare departments and other agencies?

Mr. BROCK. They would be directly parallel or compete with the same services. There is no difference between them.

Mr. BELCHER. Mr. Chairman, will the gentleman yield?

Mr. BROCK. I am glad to yield to the gentleman.

Mr. BELCHER. I am wondering if all those people in Pennsylvania are on relief, because they have the greatest relief rolls in the United States, and I wonder if they all came from the South.

Mr. BROCK. They did not, and if they think they are going to be "indoctrinated" in Pennsylvania, they would not go.

Mr. MOORHEAD. Mr. Chairman, I rise in opposition to the amendment.

(Mr. MOORHEAD asked and was given permission to revise and extend his remarks.)

Mr. MOORHEAD. Mr. Chairman, it is easy to ridicule this section of the bill, but if you have worked in the public housing field, you will know the necessity for the type of services that are proposed in section 204.

Before coming to the Congress I served on the board of a housing authority. There were two frustrating situations that I found.

The first was that the people who moved in did not move out. In other words, they did not upgrade their skills and obtain new jobs and equip themselves to earn more income which would permit them to go out into the free market and buy or rent houses.

Mr. Chairman, this section is designed to help with job counseling.

There was a second frustration, Mr. Chairman, and that was this: We knew that there were living in the slums, poor people with many problems—multiple problem families—we had to turn them down because we did not have the kind of people on the staff of the housing authority who could give them the counseling and the guidance that would qualify them to live with their neighbors in public housing.

So, Mr. Chairman, I would say that this section is one of the most important sections that is contained in this bill, be-

cause it is doing what the conservatives like—upgrading the tenants—and having them move out into the free enterprise housing market.

There is also another aspect to this section of the bill which would help to provide space to the problem family and the family that has the problem of dealing with alcohol and so forth. We are proposing that they hire a local man, it could include a man from the university of Tennessee, for instance, to identify the problem families and guide them to such programs as are now being carried on under the Office of Economic Opportunity or Manpower Training. These are people who know the problems and know the manner in which it should be dealt with and undertake to arrive at a solution to the problem. Then, we could upgrade these tenants and move them out.

One of the past difficulties of public housing was lack of concern for people. We have been doing little more than warehousing people.

This section is the people's section of this bill, and I believe of all sections which are contained in the bill, this one should be passed.

Mr. KYL. Mr. Chairman, I move to strike the requisite number of words.

(Mr. KYL asked and was given permission to revise and extend his remarks.)

Mr. KYL. Mr. Chairman, I rise simply to ask the gentleman from Pennsylvania who just finished speaking, a question or two. It was my understanding that the Office of Economic Opportunity was supposed to provide family services, and that it was also to provide counseling of the kind described here.

May I ask the gentleman to respond to this brief question? Is it his opinion that the Office of Economic Opportunity has failed in this function—in this counseling function which was given to it?

Mr. MOORHEAD. Mr. Chairman, if the gentleman will yield, no. I think that the Office of Economic Opportunity is doing a good job in counseling. But I think there has got to be someone who is trained in this field and who can identify these people who need counseling and refer them to OEO.

Mr. KYL. Just a moment. In the CAP area closest to my own home the Office of Economic Opportunity has always indicated that its basic function is to go out to show these people what helps are available, and counsel with them, and guide them and try to acquaint them with the jobs that are available. And, not only that, but also to help in the matter of training and retraining.

Mr. Chairman, if we have to support a new section like the one which is now contained in this bill, it would seem to me that we are in effect condemning the Office of Economic Opportunity because it is not responding to the functions assigned to it.

Mr. BINGHAM. Mr. Chairman, will the gentleman yield?

Mr. KYL. I yield to the gentleman from New York.

Mr. BINGHAM. I would suggest to the gentleman that there are many cases where the OEO operates, and where it is functioning and that we have to rely upon the people in the community to show some initiative and capacity to carry on the program.

I know of projects which are conducted in my district where this kind of service is not available from the Office of Economic Opportunity, not because the Office of Economic Opportunity is not functioning, but simply because it has been left primarily up to local initiative in that district to help these people move forward in the community. It is my opinion that a program of this type would be enormously helpful.

Mr. DEL CLAWSON. Mr. Chairman, if the gentleman will yield, the local housing authority has a project with an adviser which is supervised to the extent they can tell exactly what services are available, either through the housing authority or the local community. I think you will find that almost all these agencies are capable of providing this work without this section.

Mr. MOORHEAD. Will the gentleman yield?

Mr. KYL. I yield to the gentleman from Pennsylvania.

Mr. MOORHEAD. If the proper services can be financed out of the rental income, this would be fine, but where you have got to have a higher rent, you would run into rather difficult circumstances, but God bless them. However, I do not think they have done enough. I know we have never had a project officer in our projects, and we were just barely making ends meet with the income rental and breaking even.

Really, just barely make do with the income record on expenses. I think we will find we will save more money by a small investment of this type that can move tenants out of public housing than we can by any other section of this bill.

Mr. DEL CLAWSON. If the gentleman will yield further, I would just like to point out—and I believe that this would be true in Pennsylvania. Every local housing authority has an item in their budget for project services. I would be happy to review such a budget so that the gentleman will see that it does provide for it.

Mr. MOORHEAD. I do not believe that would be sufficient.

Mr. CAHILL. Mr. Chairman, will the gentleman yield?

Mr. KYL. I yield to the gentleman from New Jersey.

Mr. CAHILL. I am just wondering if the gentleman from Pennsylvania can explain to me the difference between this section of the bill and that section providing for the National Homeownership Foundation. As I read this section and that section, one of the principal functions is to counsel the poor and to establish for them incentives to develop in them an interest in public housing or private housing.

The CHAIRMAN. The time of the gentleman from Iowa has expired.

(On request of Mr. MOORHEAD, and by unanimous consent, Mr. KYL was allowed to proceed for 2 additional minutes.)

Mr. CAHILL. If the gentleman will yield further, will the gentleman from Pennsylvania tell me whether there is a duplication or whether this is a separate method of counseling?

Mr. MOORHEAD. If the gentleman will yield further, no, the homeownership counseling is counseling people who want to own their homes. This section is aimed only at the rental program, that of public housing, and it covers a lot wider range of counseling than homeownership. It could include the problems of alcoholism, drug addiction, job training, family planning, and many things like that.

Mr. CAHILL. If the gentleman from Iowa will yield further, I will state to the gentleman from Pennsylvania that I thought the counseling actually was to encourage the people to leave the public housing and to get them into the private segment of our economy.

Mr. MOORHEAD. The private sector could include units.

Mr. CAHILL. If the gentleman from Iowa will still yield further, I would ask the gentleman from Pennsylvania if there is proposed to be a separate counseling for rentals and a separate counseling for homeownership.

Mr. MOORHEAD. Not just that we would have separate counseling, but we would have broader counseling insofar as it concerns the tenants in public housing, because almost by definition they have a problem in their incomes or they would not be in public housing.

Mr. CAHILL. Then as I understand there is $10 million allocated for the furthering of the National Homeownership Foundation, is that right?

Mr. MOORHEAD. Yes, but they would have no contact with the tenants in the public housing, and we must have someone who has close contact with the tenants in public housing.

The CHAIRMAN. The time of the gentleman from Iowa has again expired.

Mr. FARBSTEIN. Mr. Chairman, I move to strike the requisite number of words.

(Mr. FARBSTEIN asked and was given permission to revise and extend his remarks.)

Mr. FARBSTEIN. Mr. Chairman, I do not know whether the gentleman from Iowa has had any experience with the operation of public housing projects. There happen to be a number of them in my district. I called HUD several months ago and told them that the public housing projects not only one, but all of them, did not have sufficient police protection. These public housing projects are not serviced by the local police, or by the city police, and that the city housing authority that runs the projects has to provide police protection.

It so happens the cities do not have sufficient funds with which to hire police to safeguard and protect the housing developments. As a result, legislation has been introduced—and I can speak only for the city of New York—to provide for police to protect these housing developments.

I read in the daily press only a day or so ago that the City of New York has increased the number of police to service all these low cost housing projects to 1,500. I further read yesterday in one of the New York papers that one member of the State legislature is going to introduce a bill for 5,000 police.

It so happens that these housing developments need police protection.

When I called the housing authority and complained about the fact that there was no police protection for these developments, they said that in the bill that is to come up—speaking about this bill—special services could be interpreted to mean police protection.

It is my hope that when this provision is adopted, there will be a contribution by the Federal Government to assist the various municipalities in providing police protection for the various housing projects.

As I say, this is the result of a conversation I had with somebody up at the Department of Housing and Urban Development. That is one phase of the services asked for by this bill. Another phase of it is that there are women who live in these public housing projects who go to work. They need people to take care of their children while they are at work. They have day care centers and these funds would be used for those purposes.

There is no point or constructive purpose to be served in treating this provision of the bill with the levity that it has been treated here today.

There are important functions that would be fulfilled by this paragraph and I say to you, the funds that have been appropriated are insufficient and that for the various low-cost housing projects throughout the country the sum of $20 million the first year will be insufficient and that there should be at least twice as much.

I say to you, gentlemen, it is in the interest of assisting the cities and to keep them cool instead of hot for this summer and for the coming summers that you provide the necessary moneys to aid the people in the cities who live in low-cost housing projects for the purpose of providing, among other things, police protection.

Mr. YATES. Mr. Chairman, will the gentleman yield?

Mr. FARBSTEIN. I yield to the gentleman.

Mr. YATES. The gentleman is raising some very important points.

In reading this section now under consideration, I find no reference either to the point of protection, which I think is of very great importance, in the public housing section and, secondly, I see no reference to the day care which I think is of equal importance.

Will the gentleman yield to a member of the committee to discuss that point?

Mr. FARBSTEIN. If the gentleman will look at page 67, line 6, he will find this language "without being limited to"—that is the bill as written provides that the term "tenant services" includes certain services and activities "without being limited to" such service activities.

I believe we are making legislative history today with reference to this paragraph as a result of this debate and as a result of my statement that police protection in these public housing projects can be accorded. Further, that centers to take care of children while the mothers are working would be covered by the language of the bill.

Mr. YATES. Would the gentleman from New York yield to some member of the committee and get some legislative history on this?

Mr. FARBSTEIN. The point is that I answered the gentleman.

Mr. YATES. May I say to the gentleman that neither of us is a member of the committee.

Mr. REUSS. That is correct.

Mr. YATES. I think it would be well if the gentleman would yield to a member of the committee to find out whether it is intended that this section include the provision of services for protection, that is the provision of police protection for public housing projects and for the provision for the creation of the establishment of day care centers as well.

Mr. FARBSTEIN. I am satisfied to yield to a member of the committee. The reason that I took the floor and made the statement I have is because of my own personal experience in situations in the city of New York in public housing projects.

The CHAIRMAN. The time of the gentleman has expired.

(By unanimous consent, at the request of Mr. YATES, Mr. FARBSTEIN was granted 3 additional minutes.)

Mr. REUSS. Mr. Chairman, will the gentleman yield?

Mr. FARBSTEIN. I yield to the gentleman.

Mr. REUSS. I think the interpretation suggested by the gentleman from Illinois [Mr. YATES] is a reasonable one, that the statutory phrase "services which are directly related to meeting the tenant needs" would include both protective and day care services, if appropriate, and if approved by the administrator.

Mr. YATES. Mr. Chairman, will the gentleman yield further?

Mr. FARBSTEIN. I yield to the gentleman.

Mr. YATES. When the gentleman from Wisconsin mentions the provision of day care services, does this mean to include the use of these funds for the purpose of establishing day care centers within the public housing projects?

Mr. REUSS. Certainly, that seems to be a good place to have them. There are those who want mothers to work and where better to have a day care center than in the housing project?

Mr. FARBSTEIN. May I say to the gentleman, there are presently various centers where children are taken care of during the day when the mothers are out working.

The CHAIRMAN. The time of the gentleman has expired.

Mr. WILLIAMS of Pennsylvania. Mr. Chairman, I move to strike the requisite number of words.

(Mr. WILLIAMS of Pennsylvania asked and was given permission to revise and extend his remarks.)

Mr. WILLIAMS of Pennsylvania. Mr. Chairman, we have heard some very interesting things here this afternoon on this particular amendment. I for one never knew that a city could deny its responsibility of policing a public housing project. If public housing projects are located in New York, I would suggest that they follow exactly the same procedure as is followed in Pennsylvania, and in most other States that I know of, and give to that public housing project exactly the same police protection that is given to the rest of the city or to the rest of the municipality.

The statement has been made that child day care centers are maintained, and I think child day care centers are maintained in virtually every municipality of this great country of ours, maintained to a large degree through United Fund, Community Chest, or other similar charitable organizations.

In relation to the type of activity which is provided for in this section—counseling on household management, housekeeping, budgeting, money management, child care, and similar matters, and I could go on and read the whole gamut—I believe every one of those functions is being performed today by an existing agency in every community.

Today we have heard a great deal about the Office of Economic Opportunity. They are providing many of these same services in many places.

Furthermore, we have heard from the distinguished gentleman from Pennsylvania [Mr. MOORHEAD] about the people in these public housing units being improved so that they could get out of their environment. Speaking for Pennsylvania, I do not believe that there is one major metropolitan area in Pennsylvania that does not have good Vo-Tech high schools. In most of these Vo-Tech high schools, even though you only have the equivalent of a second-grade education, you can go to the Vo-Tech high schools in the evening and take courses in carpentry, machine shop work, and any of the skills that the Vo-Tech schools teach. I think right now that everything that is called for in this section is being provided, and it is being improved upon constantly by the local communities.

Mr. MOORHEAD. Mr. Chairman, will the gentleman yield?

Mr. WILLIAMS of Pennsylvania. I yield to the gentleman from Pennsylvania.

Mr. MOORHEAD. I would say to the gentleman that in those communities where there are the proper kinds of services, the main problem of the Public Housing Authority would be to acquaint the tenants with the services available, and also to know what services the tenants need. A great many tenants do not know there is a day care center down here; they do not know there is free legal service out there. At times they do not even know they need legal services.

Mr. WILLIAMS of Pennsylvania. I am quite sure they do know. As I said in my earlier comments, these people should be upgraded so that they could get out of public housing and get into better housing. I have pointed out that in places like Philadelphia, Chester, Harrisburg, and the other metropolitan areas where we find public housing there are vo-tech high schools which have evening courses available in all the subjects the schools teach, without the necessity of those attending the schools meeting any academic requirements to start with.

Mr. MOORHEAD. This is where I repectfully differ with the gentleman.

There are tenants in public housing who have not been reached by these programs. Often the programs are downtown and the housing provided is in another section of the town. There is no one to bridge that gap or to inspire those people by saying, "You are paying this much rent. If you go to a vocational education school, you will be able to do better." It would stimulate the program as we have done in the past.

Mr. WILLIAMS of Pennsylvania. I am sure they do know about those programs. At one time I was asked the question, "Perhaps people do not know where the Employment Security Office is. Maybe that is why they do not go and apply for jobs." But when I asked the question, "How come they know where the welfare office is to get their welfare checks," there was no answer forthcoming. The people do know, and I think all we are going to be doing here is wasting $60 million when we are only spending $10 million on a National Home Ownership Foundation. We are wasting $60 million in duplicate services.

Mr. DEL CLAWSON. Is is not simple enough for the project manager to send out a notice as frequently as necessary, whether to five or 5,000 units, to tell them of these project and tenant services?

Mr. WILLIAMS of Pennsylvania. I know a bulletin board in a housing project is an easy way to let them know of these projects, and some housing projects have their own publications.

Mr. BROWN of Michigan. Mr. Chairman, I rise in opposition to the amendment.

Mr. Chairman, I had originally not intended to participate in the debate, but as the debate has gone along, I have become convinced I probably should actively oppose the amendment and support the proposal.

I originally participated in this provision of the legislation, because there was some need for draftsmanship, I thought, rather than leave the language so open ended that any service could be provided under the language of the bill as it was originally drafted. So I was acting as a draftsman rather than a participant in the merits or demerits of the proposal itself.

I hold no brief for the money amount that is expressed in this section. Maybe it is too much, but I think the section itself is desirable. If I could direct the attention of my colleagues to the language for a minute, I would like to have them look at page 67, and particularly I would like to have the genteleman from Iowa look at that language. In connection with the definition of "tenant services," it provides that these services include "counseling on household management, housekeeping, budgeting, money management, child care, and similar matters."

I would ask the gentleman from Iowa, as well as anyone else who serves on the Committee on Agriculture or possibly on the Committee on Education and Labor, if those items are not included in the services that are required to be performed by the extension services of every land-grant college in this Nation? Having served in the Michigan Legislature, I am very familiar with that. The only thing this language does not include was a service that was provided by the extension service of Michigan, and that was training in the arranging of funeral sprays. I think if we follow on with the last of the language, we will see other things mentioned which are presently provided by extension services.

Mr. GROSS. Mr. Chairman, will the gentleman yield?

Mr. BROWN of Michigan. I yield to the gentleman from Iowa.

Mr. GROSS. Mr. Chairman, the extension service in Iowa has not yet provided babysitters. They may some day, but I have not heard of them providing babysitters.

Mr. BROWN of Michigan. I do not see, if I can respond to the gentleman, where this legislation says anything about babysitters.

Mr. GROSS. The gentleman's provision provides for childcare.

Mr. BROWN of Michigan. The gentleman is not reading the language correctly. The language says "counseling" on child care. Is the gentleman saying child care counseling and child care is the same thing?

Mr. GROSS. Then it is proposed to use Federal funds to teach people how to be babysitters?

Mr. BROWN of Michigan. I think it is teaching them how to take care of their children. Is the gentleman saying the extension service does not provide that?

Mr. GROSS. Not that I know of.

Mr. BROWN of Michigan. Then I think the gentleman should become better acquainted with the extension services.

The concluding sentence, that follows this recitation of services, should be read rather carefully, because it is very important, it says:

> To the maximum extent available and appropriate, existing public and private agencies in the community shall be used for the provision of such services.

In that language we clearly pinpoint that whenever possible we intend the Department of Housing and Urban Development shall use the extension services and other nonprofit agencies for the providing of these services to these people.

Mr. GROSS. Mr. Chairman, if the gentleman will yield further, what does the gentleman mean by "intertenant activities"?

Mr. BROWN of Michigan. I think "intertenant activities," if I may respond to the gentleman from Iowa, is very comparable to "interfarmer activities" when we are talking about the rural electrification and all other cooperative activities which have been so successful in the agricultural areas.

Mr. DEL CLAWSON. Mr. Chairman, will the gentleman yield?

Mr. BROWN of Michigan. I yield to the gentleman from California.

Mr. DEL CLAWSON. Mr. Chairman, the gentleman would contradict the statement that it would provide for the hiring of additional policemen and the establishment of day care centers?

Mr. BROWN of Michigan. Mr. Chairman, I do not feel I can speak for the chairman of the subcommittee, but certainly that was not contemplated as included in my interpretation of the language.

Mr. DEL CLAWSON. The gentleman has stressed the word "counseling". Is not this the area where all these activities are applicable, as far as the services are concerned—that is, counseling only, and not for the establishment of child care centers or the hiring of patrolmen?

Mr. BROWN of Michigan. That is correct.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Iowa [Mr. GROSS].

The question was taken; and on a division (demanded by Mr. GROSS) there were—ayes 66, noes 69.

Mr. GROSS. Mr. Chairman, I demand tellers.

Tellers were ordered, and the Chairman appointed as tellers Mr. GROSS and Mr. PATMAN.

The Committee again divided, and the tellers reported that there were—ayes 84, noes 84.

So the amendment was rejected.

AMENDMENT OFFERED BY MR. WILLIAMS OF PENNSYLVANIA

Mr. WILLIAMS of Pennsylvania. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

> Amendment offered by Mr. WILLIAMS of Pennsylvania: On page 55, line 22, strike out "1 per centum" and insert "3 per centum" and on page 56, line 14, strike out "1 per centum" and insert "3 per centum".

The CHAIRMAN. The gentleman from Pennsylvania is recognized for 5 minutes in support of his amendment.

(Mr. WILLIAMS of Pennsylvania asked and was given permission to revise and extend his remarks.)

Mr. WILLIAMS of Pennsylvania. Mr. Chairman, you will recall that under the mortgage assistance which is designed to help low- and moderate-income families to obtain homeownership, we have a 1 percent annual interest with the Federal Government paying the difference between the actual interest rate and the 1-percent interest rate.

Now, on this title II, rental housing for low- and moderate-income families, it is incumbent upon us to try to get as many of these units built as possible, and to get them built as quickly as possible.

Mr. Chairman, as all of us are aware, mortgage money on the money market which is loaned by private institutions, is running at least 7 percent or 8 percent. Thereby, if the Federal Government offered to pay the difference between the going mortgage rate of 7 and 8 percent, and 3 percent, I believe we will offer a great incentive for our people to get into this market of providing low rental housing for low- and moderate-income families. But by changing the rate, and based upon the money appropriated under this section, I believe we will got more people interested in building low rental housing units and the money will go further, and we will come up with a great number of housing units.

Mr. YATES. Mr. Chairman, will the gentleman yield?

Mr. WILLIAMS of Pennsylvania. I yield to the gentleman from Illinois.

Mr. YATES. But is not the gentleman destroying the incentive by increasing the 1 percent interest rate to 3 percent? Is there not a greater incentive for building such units if it remains at 1 percent, instead of raising the rate to 3 percent?

Mr. WILLIAMS of Pennsylvana. But do not forget that the money appropriated under this section will only go so far. Therefore if we can have more housing units built at 3 percent, even though we are reducing incentive—we are not destroying it—actually we will bring more people into building housing units of this type. We are not destroying the incentive. We are making it attractive if they can borrow the money at 3 percent.

Mr. YATES. Mr. Chairman, if the gentleman will yield further, in the cities such as the city of Chicago they are not really in the homebuilding market. The only ones who are building units for people of low and moderate income are apartment dwellers. Therefore, it is important that the 1 percent remain in the bill instead of raising the figure to 3 percent in my opinion.

The greatest incentive, I think, will get the job done faster.

Mr. WILLIAMS of Pennsylvania. However, by the savings of 5 percent as represented by the differential of the going rate of 8 percent and the 3 percent which is proposed by my amendment, the interest rate would be effective enough to attract people into this field, and at the same time the money appropriated for this purpose will go further and it will attract more people and get more low rental housing units built in a shorter period of time.

Mr. YATES. Mr. Chairman, if the gentleman will yield further, why should not the homebuilding section have the 3 percent differential too?

Mr. WILLIAMS of Pennsylvania. Because in the mortgage assistance program to which I believe the gentleman is referring, we are trying to get these same low- and moderate-income families into homeownership. What they want to do is to give them an incentive to do this. We have these State and local financial institutions coming in and building low- and moderate-income housing units and they are still doing this. In other words, the incentive would still be be there at the rate of 3 percent. We would not be destroying the incentive, but we will be getting greater use of this money appropriated under this section which will mean that we will be able to get more low- and moderate-income housing units built in a shorter period of time.

Mr. YATES. Mr. Chairman, if the gentleman will yield further, then your opinion is that the opportunity for low- and moderate-income families to own their own homes is through the cooperative process? Why should not they be allowed the same differential of 1 percent?

Mr. WILLIAMS of Pennsylvania. If the gentleman wants to talk about a tenant purchasing a unit, then the mortgage assistance program should apply and they should get 1 percent.

But so far as an incentive for having more of these low-rent housing units built, then I believe that the 3 percent is adequate.

Mr. HANNA. Mr. Chairman, will the gentleman yield?

Mr. WILLIAMS of Pennsylvania. I yield to the gentleman from California.

Mr. HANNA. Mr. Chairman, I would ask the gentleman if it is not true in the section to which the amendment offered by the gentleman from Pennsylvania refers, particularly on page 56, that we are talking about the establishment of a basic rental charge, and it is my view of what the gentleman suggests that it will affect very substantially the market for rentals. Because if the rental is established on 1 percent, the amount that the tenant pays is less, if it is 3 percent then the tenant will have to pay more.

The CHAIRMAN. The time of the gentleman from Pennsylvania has expired.

(By unanimous consent, Mr. WILLIAMS of Pennsylvania was allowed to proceed for 1 additional minute.)

Mr. WILLIAMS of Pennsylvania. In reply to the inquiry of the gentleman from California [Mr. HANNA], I would state that what he is saying is really this: that with the 3-percent interest rate the rentals would be slightly higher. I agree with that. On the other hand, I have heard that we have to build 6 million new housing units, and I believe the impact on the rentals to be built between the difference in 1 percent and 3 percent interest charge would be negligible, and I believe our overall goal of building the required number of units would be facilitated.

Mr. HANNA. If the gentleman will yield further, I would merely point out to the gentleman that what the gentleman is referring to is a market to build. The incentive is built upon the market, and if it is a market where the tenant pays the 1 percent, then it is a different market than if the tenant has to pay 3 percent.

Now, I am not exactly sure what a 1-percent difference on the money for an apartment is, but I believe, if you would assume, that it costs—or the basic figure is about $12,000 to build an apartment unit, we could quickly determine in our minds what this would mean in monthly rental increase to the tenant, and what it will then do will be to reduce the number of individual tenants and reduce the number of units.

Mr. WILLIAMS of Pennsylvania. I would say to the gentleman from California that with today's tight mortgage money, and with today's high interest rates, that a 3-percent market will be something that will be astoundingly good.

Mr. BARRETT. Mr. Chairman, I move to strike the requisite number of words, and I rise in opposition to the amendment.

(Mr. BARRETT asked and was given permission to revise and extend his remarks.)

Mr. BARRETT. Mr. Chairman, I rise in opposition to the amendment. This proposal was raised in the committee and rejected. It was argued that by limiting the subsidy in this way the Federal aid could be stretched out over more families. We who opposed it pointed out that it would do so only at the expense of families in greatest need by cutting them out of the program entirely. I share the hope that this program will be expanded further but in the right way through additional authorizations of funds rather than at the expense of the poor who we are trying to help. I hope the amendment will be defeated, in order that we may give an adequate number of safe and sanitary units to the appropriate people who meet the requirements through this program.

Mr. Chairman, I yield back the balance of my time, and I hope that we can vote on the amendment immediately.

Mr. BROCK. Mr. Chairman, I move to strike the requisite number of words.

Mr. Chairman, I want to speak very quickly in order that we can expedite the vote on this amendment.

Mr. Chairman, it does seem to me that we should make every effort to expand the program as broadly as possible, and raising our interest rate from 1 to 3 percent does give the Secretary the ability to have this program cover a much broader spectrum of America, both in geographical and in economic terms.

Mr. Chairman, I would hope that the amendment is adopted.

Mr. McCORMACK. Mr. Chairman, I move to strike the requisite number of words.

Mr. Chairman, this is a very important provision of this vital and far-reaching and important bill. We are faced in America today with many challenges.

We are all acquainted with them. We are all aware of them.

One of the challenges is in connection with the persons of millions of Americans who are economically depressed, so to speak, or who are not in a good economic position.

This relates to rental housing for low- and moderate-income families. This is one of the great challenges that confronts us, particularly in this field.

I know what it is, as a youngster, to live under the conditions that most of these people live. There are many Members of the House who have had the same experience during their journey of life.

It seems to me that the provisions recommended, of 1 percent interest, recommended by the committee, in the light of existing conditions and in view of the problems that confront us and the challenges with which we are faced is a fair and equitable provision.

I realize that my friend who has offered the amendment does so with the highest of motives. But on the other hand, if this amendment is adopted, it is going to have a very limiting effect upon the successful operation of this program in a field of vital importance not only to countless of millions of Americans today and in the years to come but in the life of our country.

I hope that my friends in both parties will get the spirit of the challenges that confront us and realize the situation of those who are among the havenots. Those of us who are fortunate to have a dollar in our pocket see life one way. But what about the other side of the coin—those persons who do not have a dollar in their

pockets, so to speak, and who look at life another way.

This is a matter of vital importance in connection with the successful operation of this bill.

I hope that the amendment will be defeated.

Mr. HANNA. Mr. Chairman, will the gentleman yield?

Mr. McCORMACK. I yield to my colleague, the gentleman from California.

Mr. HANNA. I want to associate myself with the remarks of the distinguished Speaker of the House of Representatives.

I simply want to say that if we pass this amendment, you will knock out of consideration those people who cannot pay the extra $20 a month as a minimum this amendment requires. You are not going to provide any more housing, as the gentleman from Tennessee has suggested, you are just going to provide housing for strictly moderate incomes.

I certainly want to associate myself with the position taken by the Speaker of the House.

Mr. GROSS. Mr. Chairman, will the gentleman yield?

Mr. McCORMACK. With pleasure and some trepidation, I yield to my colleague, the gentleman from Iowa.

Mr. GROSS. I am sure the Speaker need have no fear or trepidation whatever.

I wonder when someone is going to start feeling sorry for the taxpayers who are going to make up the deficit between 1 percent and at least 5 percent interest. Somewhere, somehow this money has to be raised and there is only one source and that is the taxpayers of this country. It is inconsistent to raise taxes by 10 percent and then provide an interest rate of 1 percent.

Mr. McCORMACK. The gentleman from Iowa in good faith, with his philosophy of life and philosophy of government, is talking in terms of dollars—I am trying to talk in terms of human beings.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Pennsylvania [Mr. WILLIAMS].

The question was taken; and on a division (demanded by Mr. WILLIAMS of Pennsylvania), there were—ayes 37, noes 80.

So the amendment was rejected.

AMENDMENT OFFERED BY MR. ANDERSON OF ILLINOIS

Mr. ANDERSON of Illinois. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. ANDERSON of Illinois: On page 61, following line 22 add a new subsection (m) as follows:

"(m) Notwithstanding any other provision of this section, no interest reduction payments authorized to be contracted under this section shall be made with respect to families, occupying rental housing projects insured under this section, whose incomes at the time of the initial renting of the projects are in excess of 130 per centum of the maximum income limits which can be established in the area, pursuant to the limitations prescribed in sections 2(2) and 15(7)(b)(ii) of the United States Housing Act of 1937, for occupancy in public housing dwellings."

(Mr. ANDERSON of Illinois asked and was given permission to revise and extend his remarks.)

Mr. ANDERSON of Illinois. Mr. Chairman, the hour is late. Those of you who were here in the Chamber when we had an extended discussion earlier on a similar amendment which I offered to section 101 will perceive I think very quickly what I am trying to do with this simple amendment, and that is to tie down this new rental subsidy program here in section 201 of the bill which is referred to as new section 236, the National Housing Act, to tie it down so that the income limits for the families who will be participating under this new program will be truly low-income families.

Now, a minute ago I supported your side of the aisle in an amendment that was offered to increase the interest rate to 3 percent and voted against that amendment. I think it ought to be held at 1 percent, in computing this interest reduction payment, so that we can really, as the gentleman from California [Mr. HANNA] said, keep this a low-income program. But for that reason I hope you will join me now in setting the limits for eligibility under this new program to 130 percent of income ceilings for occupancy of public housing.

Mr. HANNA. Mr. Chairman, will the gentleman yield?

Mr. ANDERSON of Illinois. I yield to the gentleman from California.

Mr. HANNA. Would the limitation proposed by the gentleman work regionally, or would it be one limitation across the whole United States?

Mr. ANDERSON of Illinois. It would work regionally. Just as in different areas and in different cities of the country there are different levels of eligibility for public housing, the 130 percent would apply to those different levels. You who come from the great city of New York might be tempted to vote against this amendment. Let me show you mathematically what it would accomplish. As was said earlier, the other body in acting upon this bill provided for an income test of 70 percent of the 221(d)(3) limits. For New York City that would mean that under this new program the maximum limit for a family of three, the income limit, would be $5,125. Under the amendment which I am offering the maximum income limit for a family of three would be $7,488. I have not got time to go through the list of cities, but I shall cite some.

For Baltimore, Md., the figure is virtually the same under the Senate amendment and under the amendment which I am now offering.

I offer the amendment in good faith, and I think for a very substantial reason. This bill makes a great point of setting some very ambitious goals of 6 million new low- and moderate-income housing units over the next decade, and I do not think it takes much arguing to convince you that it obviously costs a great deal more in the way of subsidy to house a family making only $3,500 a year than it does to subsidize under this new program a family making twice that amount. In other words, a given amount of dollars would subsidize far more moderate-income families than it would low-income families. I do not think it is unreasonable, therefore, to suggest that the administrators of this program might be tempted just a little bit to play the numbers game again with this Congress to make it look good, to make it sound as if they were fulfilling goals under this program, to go into the business of providing rental housing and cooperative housing under section 236 for those of moderate income.

And again the crumbs from the table will be left for those making an income of from $5,000 to $6,000 a year. I suggest it would be the better part of discretion here this afternoon to tie into this program the very same kind of tests that the committee had the wisdom to include a little earlier this afternoon in the 101 section of this bill under title I by providing that 130 percent of income eligibility limits for occupancy of public housing, shall be the test under this new rental and cooperative housing program.

Mr. HANNA. Mr. Chairman, will the gentleman yield?

Mr. ANDERSON of Illinois. I yield to the gentleman from California.

Mr. HANNA. Mr. Chairman, the gentleman has indicated that he supported us on the last amendment. I intend to support the gentleman on this amendment.

Mr. Chairman, I know homeownership is dynamic, but we have to move people up along the line before we can go from low income to moderate income, but I will support the gentleman on rentals, because I do not think that applies here.

Mr. ANDERSON of Illinois. Mr. Chairman, we are talking now about the new program section 236. It will be better able to serve the low- and moderate-income tenants because rents attainable under it will be lower than under the other programs—and they are talking about the 221(d)(3), so it makes sense to tie this down, to families which are really low income families. That is what we are seeking to do by this amendment. I hope the gentleman will support it.

Mr. BARRETT. Mr. Chairman, I rise in opposition to the amendment. I am sure the gentleman is very kind and generous and wants to be very helpful. This amendment to title II—in the new section 236—would cripple the program. If we are to give people the housing they need, we must not accept the amendment.

Mr. Chairman, I will not prolong this debate, but I certainly hope the human aspects, as the Speaker said here, will be considered, and therefore I do hope this amendment will be voted down.

Mr. KYL. Mr. Chairman, I move to strike the requisite number of words.

Mr. Chairman, the kind of amendment which has been offered by the gentleman from Illinois is an absolute necessity lest we again subdue the human interest, of which we have been hearing, in favor of something else which might be more expedient.

Let us see what has been attempted under 221(d)(3) of the National Housing Act. This section, Members will remember, is designed to assist private industry in providing housing for low- and moderate-income families, and we give priority to displaced families, to persons over 62 years of age, and to handicapped persons. But what has happened? The National Council of the Arts bought a $750,000 apartment building in New York City and got $9.5 million in Government

mortgage to finance rehabilitation of the building under 221(d)(3). Was it to help the low- and moderate-income families, those who needed the humanitarian consideration? No. Was it to take care of the poor? No. Was it to take care of the elderly? No. It was to provide housing for artists and sculptors and architects, and so on, in the city of New York.

If this kind of procedure can take place under the earlier provisions of the act, we need some kind of provision like this amendment to guarantee that the money will go, with compassion, to those who need it the most.

We have to have a check in this legislation to prevent the misuse of funds, and I hope the amendment will be adopted.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Illinois [Mr. ANDERSON].

The question was taken; and on a division (demanded by Mr. PATMAN) there were—ayes 77, noes 60.

So the amendment was agreed to.

AMENDMENT OFFERED BY MR. BROCK

Mr. BROCK. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. BROCK: On page 65, beginning in line 23, strike out "by $100,000,000" and all that follows through the end of line 3 on page 66, and insert the following: "by $50,000,000 on the date of enactment of the Housing and Urban Development Act of 1968 and by further amounts of $75,000,000 on July 1 in each of the years 1969 and 1970,".

Mr. BROCK. Mr. Chairman, it seems to me this whole housing bill, whether it is supported by the minority or the majority, is tacit recognition of the rather crashing failure for the last many years in this country of the so-called public housing program, and is an effort to redress the grievance of the people who have not received what they have been promised.

If I can recapitulate very briefly what is in this particular bill before us: we have a subsidy to provide assistance for the homeowner in the form of mortgage assistance payments of all over 20 percent of his income for interest rates in excess of 1 percent; we have a program to subsidize the builders of low-income rental housing; we have a proposal which will subsidize not just the builder of that housing but also the tenant, with a rent supplement program; and we have $60 million in the bill to provide tenant services.

Later on in the bill Members will find, since we have covered the new homeowner and the new renter, that we have a program to take care of everybody who is left in the country, with rehabilitation grants and loans of $3,000 and $10,000 respectively to any family the Secretary determines is qualified to receive the money.

The whole thrust of the program seems to be directed at the fact—and it is a fact—that public housing in this country has failed: and it has failed miserably because its concept is wrong.

If we are going to admit that there have been failures in the housing program in the past, then it seems to me the height of responsibility to try the new programs but try them within a reasonable and responsible fiscal framework, not simply adding hundreds of millions of dollars to everything that has gone on in the past and adding on new programs and adding hundreds of millions of dollars to them because we want to try everything all at once just to be sure that some pellet in the shotgun shell will hit on a decent target. All I am suggesting is we limit the increase in public housing funds. Rather than going to $400 million, we ought to limit it to $200 million. That is all this amendment does, and I think it is very consistent with the philosophy of this bill. I would appreciate its support.

Mr. BARRETT. Mr. Chairman, I rise in opposition to the amendment.

Mr. Chairman, I think the committee has done a splendid job on this. We originally asked for $800 million for public housing. The committee cut it down to $400 million. Now the gentleman from Tennessee comes in and wants to cut that in half.

The applications for public housing are increasing rapidly. Public housing has been criticized by many of the gentlemen here today who are now advocating public housing over rent supplement and 221(d)(3) type housing.

We are hopeful, Mr. Chairman, that we can acquire the number of standard homes to replace the 6 million substandard homes. If we are going to cut down the necessary moneys needed to build and carry out the commitments made by the Public Housing Authority, we are certainly going to limit the opportunity to acquire the number of units which are necessary to satisfy the people living in substandard homes at present.

Mr. Chairman, I think it is time in this program to touch on the human element. These gentlemen who are opposing all of these human type programs that we have in this bill today ought to look at it from the standpoint of the righteousness in their hearts. Certainly, if they have righteousness in their hearts, they ought to expose that in their character. If they expose it in their character, we can do something for this country and for the world. Because when there is righteousness in the heart there is beauty in the character, and when there is beauty in the character there is harmony in the home. That is what we are aiming for, Mr. Chairman. We are trying to establish harmony in the home. When there is harmony in the home there is order in the neighborhood and in the community and in the Nation. These are the things, Mr. Chairman, that it is very important we give adequate consideration to. We must supply the money to build the necessary units to keep ourselves strong from within, if we are to be strong from without. We must build up these communities and give the people who need this type of home, this standard home, the money with which to build it.

Mr. Chairman, I say if we are to be strong from within, we must primarily be strong from without, and when we are strong from within we can certainly have order in this Nation and can lead to peace in the world. If we are going to cut the essentials, as we have been doing here for the last few hours, we will continue to have destruction in all of the communities throughout this great country.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Tennessee [Mr. BROCK].

Mr. BROCK. Mr. Chairman, I demand tellers.

Tellers were ordered, and the Chairman appointed as tellers, Mr. BROCK and Mr. PATMAN.

The Committee divided, and tellers reported that there were—ayes 69, noes 92.

So the amendment was rejected.

AMENDMENT OFFERED BY MR. WILLIAMS OF PENNSYLVANIA

Mr. WILLIAMS of Pennsylvania. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. WILLIAMS of Pennsylvania: On page 64, strike out "$150,000,000" in line 23 and all that follows down through line 2 on page 65, and insert in lieu thereof the following: "$150,000,000 per annum, and no contract shall be entered into under this section after July 31, 1968."

Mr. WILLIAMS of Pennsylvania. Mr. Chairman, this amendment pertains to the rent supplement program. Under the original 1965 housing and urban development bill $150 million was authorized for rent supplements. Today it is my understanding that only $42 million of that money has been committed. All contracts under the rent supplement program are for a period of 40 years. This bill, the way it is presently written, authorizes increases in rent supplement money to a total of $290 million.

If all of this money is committed to 40-year programs, it would mean approximately $11.6 billion. And out of all the housing programs that have been attempted in this country, I believe that the rent supplement program has produced the lowest number of low-rent housing units of any program that has been tried.

I believe that with all of the additional new programs that are being offered in this bill, we should take this program, which obviously has been proven to be a failure, and remove the money from this bill and concentrate on the other new approaches that are set forth in this bill.

Mr. RUESS. Mr. Chairman, I rise in opposition to the amendment offered by the gentleman from Pennsylvania.

Mr. Chairman, I shall be very brief. This amendment would give the rent supplement program the generous period of 20 days in which to live. It would abandon the program after July 30, 1968.

We have been over this year after year. The rent supplement program plays a useful role in the totality of Federal programs, and particularly is it necessary after some of the action that has been taken here on the floor this afternoon. If you are going to build rental projects at all, you have got to find some rent supplement cases in order to bring the assured income of the nonprofit sponsor of the project up to the point where he can afford to build in the first place.

Mr. Chairman, I hope the amendment will be voted down.

Mr. WILLIAMS of Pennsylvania. Mr. Chairman, will the gentleman yield?

Mr. REUSS. I yield to the gentleman from Pennsylvania.

Mr. WILLIAMS of Pennsylvania. Is it not a fact that most of the housing units that were built under this so-called rent supplement program were in some form of apartment building, including high-rise apartments?

Mr. REUSS. In reply to the inquiry of the gentleman from Pennsylvania, I will say that some of them have been, and to the extent that they are high rise, the committee has spoken out that we do not believe that high-rise apartments, except where absolutely essential, are suitable for families with children. Therefore I would look toward the increased use of rent supplements in the garden-type apartments, in projects made up of adjacent but individual homes, including what we in my hometown of Milwaukee know as duplexes. It is, however, an essential part of the program if that element of our society which has aroused so many tears from the minority side this afternoon, the very poor, are going to be given a chance to live somewhere in decent surroundings.

Mr. WILLIAMS of Pennsylvania. If the gentleman will yield further, this $42 million that has been committed to 40-year contracts, you have got to multiply the $42 million by 40 to get the sum of money that has been committed so far under this program.

What is the approximate number of low-rent housing units that have been provided?

Mr. REUSS. The gentleman from Pennsylvania simply points out some elementary arithmetic that 40 times 1 is 40. Over a program that long, of course, it requires a 40-year contract.

Mr. Chairman, I ask for a vote on the amendment.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Pennsylvania [Mr. WILLIAMS].

The question was taken; and on a division (demanded by Mr. WILLIAMS of Pennsylvania) there were—ayes 54, noes 74.

Mr. WILLIAMS of Pennsylvania. Mr. Chairman, I demand tellers.

Tellers were ordered, and the Chairman appointed as tellers Mr. WILLIAMS of Pennsylvania and Mr. PATMAN.

The Committee again divided, and the tellers reported that there were—ayes 79, noes 94.

So the amendment was rejected.

Mr. GROSS. Mr. Chairman, I move to strike the requisite number of words.

(Mr. GROSS asked and was given permission to revise and extend his remarks.)

Mr. GROSS. Mr. Chairman, I take this time to ask a question or two of the chairman of the committee or some member of the subcommittee. Does the Ramseyer print in the report conform to the language in the bill? May we rely on the Ramseyer print to show the changes in the law and in the bill?

Mr. PATMAN. Mr. Chairman, will the gentleman yield?

Mr. GROSS. I yield to the gentleman from Texas.

Mr. PATMAN. Certainly you may. There is more care and caution taken to get the Ramseyer rule exactly correct, because it would be subject to a point of order if it were incorrect. That is the reason we asked for a waiver of points of order. There are 180 pages in that report under the Ramseyer rule, and one major mistake, or one mistake, would invalidate the whole proceeding, and the bill would have to go back to the committee.

Mr. GROSS. Which is the gentleman saying is defective, the bill or the report?

Mr. PATMAN. If the report is defective, it would be subject to a point of order.

Mr. GROSS. What is subject to a point of order?

Mr. PATMAN. The 180 pages under the Ramseyer rule, which points out differences in what we propose and what is in existing law.

Mr. GROSS. The gentleman says there is no defect to be found in the Ramseyer print in the report accompanying the bill?

Mr. PATMAN. Not to our knowledge.

Mr. GROSS. I see. While the gentleman is on his feet, let me ask him a question in reference to the language to be found on page 242 of the report wherein you have apparently written into the bill—"or to a group of such tenants occupying units aggregating in value at least 80 per centum of the structure's total value."

What are you talking about? Are you talking about values in terms of monetary values, or are you talking about values in terms of the occupancy of apartments or public housing?

Mr. PATMAN. I beg your pardon. I am attempting to find the gentleman's reference.

Mr. GROSS. I am talking about the language to be found toward the bottom of page 242 of the report. Are you talking there about values in terms of monetary values, or are you talking about the value of population or occupancy in public housing? I do not understand this language.

Mr. PATMAN. "Eighty per centum of the structure's total value." That is what it is talking about.

Mr. GROSS. Eighty percent of the occupancy or 80 percent of the value of the structure?

Mr. PATMAN. The report uses the word "structure."

Mr. GROSS. Then how do you relate warm bodies in terms of occupancy and use an 80 percent of structure?

Mr. PATMAN. Well, that is the way it is. Is there anything incorrect about it?

Mr. GROSS. You certainly come up with some beautiful formulas in this committee. I am still way out in left field as far as this is concerned. I would like to ask you about the last sentence on that page: "as may be necessary to enable the tenants involved to make the purchase without undue financial hardship."

What is "undue financial hardship"?

Mr. PATMAN. Someone in authority would have to make a judgment on that.

Mr. GROSS. There is no criteria or formulas at all in the bill? Is that correct?

Mr. PATMAN. Incidentally, that is an amendment by the minority to the bill.

Mr. GROSS. I could not care less whether it is an amendment by the minority or not. I sometimes agree with the minority, and I sometimes disagree with the minority.

Mr. PATMAN. Sometimes the minority is right.

Mr. GROSS I am not interested in any answer as to where this language originated. I am interested in who in the bureaucracy is going to determine "undue hardship" in this bill that is eventually going to cost $50 billion.

AMENDMENT OFFERED BY MR. DAVIS OF WISCONSIN

Mr. DAVIS of Wisconsin. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. DAVIS of Wisconsin: On page 66, line 3, change the period to a colon and add the following proviso: "*Provided*, That the aggregate amount of contracts to make annual contributions executed subsequent to the enactment of this Act shall not exceed amounts approved in Appropriation Acts."

(Mr. DAVIS of Wisconsin asked and was given permission to revise and extend his remarks.)

Mr. DAVIS of Wisconsin. Mr. Chairman, the purpose of this amendment is to make the payments of the contract authority under the Public Housing program subject to the same Appropriations Committee review as is true with respect to all of the other programs involved in this bill. All of the others, with this single exception, public housing, have amounts under the contract authority limited to the amounts approved in appropriation bills. For instance, in the new section 235, homeownership subsidy program, there appears this language on page 9:

The aggregate amount of contracts to make such payments shall not exceed amounts approved in appropriation Acts . . .

So now we look at the rent supplement program and all of the other programs, and, with this single exception, we find the language limiting them to the annual review that would be available under the Appropriations Committee process.

When we look at the possible commitments in this program as contemplated by the Department of Housing and Urban Development, I think it becomes at least as important—if not more so—that these amounts of contract authority be limited to Appropriations Committee review. In this bill, for instance, there is an aggregate new authority for $954 million by 1972. But that involves only one-third of the contemplated level by 1978.

In these times when we find ourselves in fiscal difficulty so often because of built-in commitments by contract authority—just as we found ourselves in trouble this year when we had to pass a law on deficit and expenditure control and placing a limitation on expenditures as well as providing a surtax—unless we provide this kind of annual review under the appropriation bills each year, we will find ourselves with commitments over which this Congress will have no control and we might very well, by 1978, if not sooner, find ourselves in the position of

having to repeal some of this legislation because of the vast number of commitments that could well be made.

In my opinion this amendment would put public housing on exactly the same basis as far as the limitation on contract authority, as are each and every one of the other programs that are involved in this bill. I see no reason why public housing should not be limited to the same contract authority control as any other program, and because of its size and its potential of spending for the future, it probably is more important that this particular phase of the overall housing program be limited in this manner. It is consistent with all the other provisions of the bill, and I think it is necessary that it be included in that review.

Mr. JONAS. Mr. Chairman, will the gentleman yield?

Mr. DAVIS of Wisconsin. I yield to the gentleman from North Carolina.

Mr. JONAS. Mr. Chairman, I am glad the gentleman from Wisconsin has offered this amendment. I believe it is necessary for this amendment to be adopted if Congress is to maintain any control whatsoever over future commitments on spending. I support the amendment offered by the gentleman from Wisconsin, and think it should be adopted by the Committee this afternoon.

Mr. DAVIS of Wisconsin. Mr. Chairman, the gentleman, as the ranking minority member on the subcommittee which handles these housing programs, is in a position to be well informed. If there were any practical difficulties in connection with this, I am sure the gentleman would be aware of them and would make his colleagues on the committee aware of them.

I see no such difficulty. I believe it is a fair amendment. It ought to be adopted, consistent with the need for fiscal control.

Mr. BARRETT. Mr. Chairman, I rise in opposition to the amendment.

(Mr. BARRETT asked and was given permission to revise and extend his remarks.)

Mr. BARRETT. Mr. Chairman, this amendment would take a long step backward and would seriously cripple the low rent public housing program. The program is now controlled through annual authorizations acted on by Congress as we have in the bill today. Placing another hurdle in the way of the program could only serve to cut the program down further. Even more than that though, the uncertainties and delays which the amendment would impose would make it impossible for the local housing authority to meet the needs of our lowest income families. This is particularly true in the case of section 23, leased housing, where volume has been rising rapidly and which offers local authorities great flexibiilty in planning and the ability to act promptly as the need arises. This amendment would strangle that program.

Mr. DAVIS of Wisconsin. Mr. Chairman, will the gentleman yield?

Mr. BARRETT. I yield to the gentleman from Wisconsin.

Mr. DAVIS of Wisconsin. I fail to understand from the gentleman's remarks his allegation that this would destroy this program, when in effect it would place exactly the same limitations on contract authority for this program as have already been written into this bill with respect to low and moderate housing ownership and rent supplement programs. If it is not going to kill them, how is it going to kill the public housing program?

Mr. BARRETT. I hope the gentleman will agree with me. He voted for it, as I did, year after year, on the same type of authorization that is in the bill today.

Certainly we do not want to change this, because commitments have been made for construction in the public housing category.

Because of the conditions today, I do not believe we ought to attempt to change this. In other times, perhaps in the future, when we have peace and contentment in this country, we can take a look at it and talk about changing it, but not today.

We should not change the present process when it is so successful, especially at the time of its greatest need.

Mr. DAVIS of Wisconsin, Mr. Chairman, will the gentleman yield further?

Mr. BARRETT. Yes. I will be glad to yield.

Mr. DAVIS of Wisconsin. In the newer programs about which we are talking, the low- and moderate-income programs, and in the rent supplement program which came on the scene much later, this Congress did see fit to write in limitations on contract authority. All I am asking is that we update that authority with regard to public housing consistent with what we are doing in our newer housing programs. How is that ruining the program?

Mr. BARRETT. I certainly do not agree with the gentleman on the new programs. I am talking about a program that has been operating under an authorization since 1938. You just do not change successful programs.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Wisconsin [Mr. DAVIS].

Mr. KYL. Mr. Chairman, I demand tellers.

Tellers were ordered, and the Chairman appointed as tellers, Mr. DAVIS of Wisconsin and Mr. PATMAN.

The Committee divided, and the tellers reported that there were—ayes 88, noes 95.

So the amendment was rejected.

The CHAIRMAN. If there are no further amendments to title II of the bill, the Clerk will read.

The Clerk read as follows:

TITLE III—FEDERAL HOUSING ADMINISTRATION INSURANCE OPERATIONS

MORTGAGE INSURANCE PREMIUMS FOR SERVICEMEN AND THEIR WIDOWS

SEC. 301. Section 222 of the National Housing Act is amended—

(1) by striking out "Secretary of the Treasury" each place it appears and inserting in lieu thereof "Secretary of Transportation"; and

(2) by adding at the end thereof two new subsections as follows:

"(f) The Secretary is authorized to transfer to this section the insurance on any mortgage covering a single-family dwelling or a one-family unit in a condominium project insured under this Act, if the mortgage indebtedness thereof has been assumed by a serviceman who at the time of assumption is the owner of the property and either occupies the property or certifies that his failure to do so is the result of his military assignment, or, in the case of the United States Coast Guard, other assignment.

"(g) Where a serviceman dies while on active duty in the Armed Forces of the United States or in the United States Coast Guard, leaving a surviving widow as owner of the property, the period of ownership by the serviceman (within the meaning of subsection (c) of this section) shall extend for two years beyond the date of the serviceman's death or until the date the widow disposes of the property, whichever date occurs first. The Secretary of Defense or the Secretary of Transportation, as the case may be, shall notify such widow promptly following the serviceman's death of the additional costs to be borne by the mortgagor following termination of the two-year period."

MODIFICATIONS IN TERMS OF INSURED MORTGAGES COVERING MULTIFAMILY PROJECTS

SEC. 302. Title II of the National Housing Act is amended by adding after section 238 (as added by section 104 of this Act) the following new section:

"MODIFICATIONS IN TERMS OF INSURED MORTGAGES COVERING MULTIFAMILY PROJECTS

"SEC. 239. (a) The Secretary shall not consent to any request for an extension of the time for curing a default under any mortgage covering multifamily housing, as defined in the regulations of the Secretary, or for a modification of the terms of such mortgage, except in conformity with regulations prescribed by the Secretary in accordance with the provisions of this section. Such regulations shall require, as a condition to the granting of any such request, that, during the period of such extension or modification, any part of the rents or other funds derived by the mortgagor from the property covered by the mortgage which is not required to meet actual and necessary expenses arising in connection with the operation of such property, including amortization charges under the mortgage, be held in trust by the mortgagor and distributed only with the consent of the Secretary; except that the Secretary may provide for the granting of consent to any request for an extension of the time for curing a default under any mortgage covering multifamily housing, or for a modification of the terms of such mortgage, without regard to the foregoing requirement, in any case or class of cases in which an exemption from such requirement does not (as determined by the Secretary) jeopardize the interests of the United States.

"(b) Whoever, as an owner of a property which is security for a mortgage described in subsection (a), or as a stockholder of a corporation owning such property, or as a beneficial owner under any business organization or trust owning such property, or as an officer, director, or agent of any such owner, (1) willfully uses or authorizes the use of any part of the rents or other funds derived from property covered by such mortgage in violation of a regulation prescribed by the Secretary under subsection (a), or (2) if such mortgage is determined, as provided in subsection (a), to be exempt from the requirement of any such regulation or is not otherwise covered by such regulation, willfully and knowingly uses or authorizes the use, while such mortgage is in default, of any part of the rents or other funds derived from the property covered by such mortgage for any purpose other than to meet actual and necessary expenses arising in connection with such property (including amortization charges under the mortgage), shall be fined not more than $5,000 or imprisoned not more than three years, or both."

CONDOMINIUMS

SEC. 303. (a) Section 234(c) of the National Housing Act is amended by striking out "rental housing, and (3)" in the first sentence and inserting in lieu thereof the following: "rental housing: *Provided,* That a one-family unit in a multifamily project involving eleven or less units shall be eligible for insurance without having been covered by a project mortgage, and (3)".

(b) Section 234(c) of such Act is further amended by striking out "(iii) 75 per centum" in the third sentence and inserting in lieu thereof "(iii) 80 per centum".

(c) Section 234(f) of such Act is amended by striking "five" and inserting in lieu thereof "four".

INSURANCE OF LOANS FOR PURCHASE OF FEE SIMPLE TITLE FROM LESSORS

SEC. 304. (a) Title II of the National Housing Act is amended by adding after section 239 (as added by section 302 of this Act) the following new section:

"PURCHASE OF FEE SIMPLE TITLE FROM LESSORS

"SEC. 240. (a) The Secretary is authorized, upon such terms and conditions as he may prescribe, to make commitments to insure and to insure loans made by financial institutions for the purpose of financing purchases by homeowners of the fee simple title to property on which their homes are located.

"(b) As used in this section—

"(1) the term 'financial institution' means a lender approved by the Secretary as eligible for insurance under section 2 or a mortgagee approved under section 203(b)(1); and

"(2) the term 'homeowner' means a lessee under a long-term ground lease.

"(c) To be eligible for insurance under this section, a loan shall—

"(1) relate to property on which there is located a dwelling designed principally for a one-, two-, three-, or four-family residence;

"(2) not exceed the cost of purchasing the fee simple title, or $10,000 per family unit, whichever is the lesser;

"(3) be limited to an amount which when added to any outstanding indebtedness related to the property (as determined by the Secretary) creates a total outstanding indebtedness which does not exceed the applicable mortgage limit prescribed in section 203(b);

"(4) bear interest at not to exceed such per centum per annum (not to exceed 6 per centum), on the amount of the principal obligation outstanding at any time, as the Secretary finds necessary to meet market conditions, and such other charges (including service charges and appraisal, inspection, and other fees) as may be approved by the Secretary;

"(5) have a maturity satisfactory to the Secretary, but not to exceed twenty years from the beginning of amortization of the loan or three-quarters of the remaining economic life of the home, whichever is the lesser; and

"(6) comply with such other terms, conditions, and restrictions as the Secretary may prescribe.

"(d) The provisions of paragraphs (3), (5), (6), (7), (8), and (10) of section 220(h) shall be applicable to loans insured under this section and, as applied to loans insured under this section, references in those paragraphs to 'home improvement loans' and 'this subsection' shall be construed to refer to loans under this section."

(b) Section 5(c) of the Home Owners' Loan Act of 1933 (12 U.S.C. 1464(c)) is amended by adding immediately before the last paragraph the following new paragraph:

"Notwithstanding any other provision of this subsection, an association may invest in loans or obligations, or interests therein, as to which the association has the benefit of insurance under section 240 of the National Housing Act, or of a commitment or agreement therefor, and such investments shall not be included in any percentage of assets or other percentage referred to in this subsection."

EXTENSION OF SECTION 221(d)(2) SALES HOUSING PROGRAM FOR TWO-, THREE-, AND FOUR-FAMILY RESIDENCE TO ALL LOW AND MODERATE INCOME FAMILIES

SEC. 305. Section 221(d)(2) of the National Housing Act is amended by striking out "a displaced family" at the end of the first proviso and inserting in lieu thereof "the mortgagor".

REMOVAL OF DIVIDEND RESTRICTION FOR NONDWELLING FACILITIES IN SECTION 221 PROJECTS

SEC. 306. Section 221(f) of the National Housing Act is amended by striking out in the first sentence all that follows the word "mortgage" in the proviso and inserting in lieu thereof ": *Provided further,* That, in the case of a mortgage which bears interest at the below-market interest rate prescribed in the proviso of subsection (d)(5), the provisions of section 220(d)(3)(B)(iv) shall only apply if the mortgagor waives the right to receive dividends on its equity investment in the portion thereof devoted to commercial facilities."

SUPPLEMENTAL LOAN PROGRAM FOR PROJECTS FINANCED WITH FEDERAL HOUSING ADMINISTRATION INSURED MORTGAGES

SEC. 307. Title II of the National Housing Act is amended by adding after section 240 (as added by section 304 of this Act) the following new section:

"SUPPLEMENTAL LOANS FOR MULTIFAMILY PROJECTS

"SEC. 241. (a) With respect to a multifamily project or group practice facility covered by a mortgage insured under any section or title of this Act, the Secretary is authorized, upon such terms and conditions as he may prescribe, to make commitments to insure, and to insure, supplemental loans (including advances during construction or improvement) made by financial institutions approved by the Secretary. As used in this section, 'supplemental loan' means a loan, advance of credit, or purchase of an obligation representing a loan or advance of credit made for the purpose of financing improvements or additions to such project or facility: *Provided,* That a loan involving a nursing home covered by a mortgage insured under section 232 or a loan involving a group practice facility covered by a mortgage insured under title XI may also be made for the purpose of financing equipment to be used in the operation of such nursing home or facility.

"(b) To be eligible for insurance under this section, a supplemental loan shall—

"(1) be limited to 90 per centum of the amount which the Secretary estimates will be the value of such improvements, additions, and equipment, except that such amount, when added to the outstanding balance of the mortgage covering the project or facility, shall not exceed the maximum mortgage amount insurable under the section or title pursuant to which the mortgage covering such project or facility is insured;

"(2) have a maturity satisfactory to the Secretary but not to exceed the remaining term of the mortgage;

"(3) bear interest (exclusive of premium charges for insurance and service charges, if any) at not to exceed such per centum per annum (not in excess of 6 per centum), on the amount of the principal obligation outstanding at any time, as the Secretary finds necessary to meet market conditions;

"(4) be secured in such manner as the Secretary may require;

"(5) be governed by the labor standards provisions of section 212 that are applicable to the section or title pursuant to which the mortgage covering the project or facility is insured; and

"(6) contain such other terms, conditions, and restrictions the Secretary may prescribe.

"(c) The provisions of subsections (d), (e), (g), (h), (i), (j), (k), (l), and (n) of section 207 shall be applicable to loans insured under this section, except that (1) all references to the term 'mortgage' shall be construed to refer to the term 'loan' as used in this section, (2) loans involving projects covered by a mortgage insured under section 213 that is the obligation of the Cooperative Management Housing Insurance Fund shall be insured under and shall be the obligation of such fund, and (3) loans involving projects covered by a mortgage insured under section 236 shall be insured under and shall be the obligation of the Special Risk Insurance Fund."

HOME IMPROVEMENT LOANS—INCREASE IN MAXIMUM MATURITY, FINANCE CHARGE, AND LOAN AMOUNT

SEC. 308. Section 2(b) of the National Housing Act is amended—

(1) by striking out "$3,500" and inserting in lieu thereof "$5,000";

(2) by striking out "five years" and inserting in lieu thereof "seven years";

(3) by striking out "$5 discount" and inserting in lieu thereof "$5.50 discount"; and

(4) by striking out "$4 discount" and inserting in lieu thereof "$4.50 discount".

EXPERIMENTAL HOUSING PROGRAM

SEC. 309. Section 233 of the National Housing Act is amended—

(1) by striking out "of this title" immediately before the semicolon in subsection (b) and inserting in lieu thereof "or titles of this Act"; and

(2) by striking out "of this title" in subsection (e) and inserting in lieu thereof "or title of this Act".

TERM OF FEDERAL HOUSING ADMINISTRATION MORTGAGES FOR LAND DEVELOPMENT

SEC. 310. Section 1002(d)(1) of the National Housing Act is amended by striking out "seven years" and inserting in lieu thereof "ten years".

REHABILITATED MULTIFAMILY PROJECTS IN URBAN RENEWAL AREAS

SEC. 311. (a) Section 220(d)(3)(B)(ii) of the National Housing Act is amended by inserting immediately before the semicolon at the end thereof ": *Provided further,* That the mortgage may involve the financing of the purchase of property which has been rehabilitated by a local public agency with Federal assistance pursuant to section 110(c)(8) of the Housing Act of 1949, and, in such case, the foregoing limitations upon the amount of the mortgage shall be based upon the appraised value of the property as of the date the mortgage is accepted for insurance".

(b) Section 221(d)(3)(iii) of such Act is amended by inserting immediately before the colon at the end of the first proviso ": *Provided further,* That the mortgage may involve the financing of the purchase of property which has been rehabilitated by a local public agency with Federal assistance pursuant to section 110(c)(8) of the Housing Act of 1949, and, in such case, the amount of the mortgage shall not exceed the appraised value of the property as of the date the mortgage is accepted for insurance".

MISCELLANEOUS HOUSING INSURANCE

SEC. 312. (a) Section 223 of the National Housing Act is amended—

(1) by striking out so much of subsection (a) as precedes paragraph (1) and inserting in lieu thereof the following:

"(a) Notwithstanding any of the provisions of this Act and without regard to limitations upon eligibility contained in any section or title of this Act, the Secretary is authorized, upon application by the mortgagee, to insure or make commitments to insure under any section or title of this Act any mortgage—";

(2) by striking out "applicable to loans

insured under section 203, 207, 213, 220, 221, 222 231 232 or 233 as the case may be" in the first and second provisos of subsection (a)(7) and inserting in lieu thereof "prescribed under the applicable section or title of this Act";

(3) by striking out "this title" each time it appears in subsection (c) and inserting in lieu thereof "this Act";

(4) by striking out "title I title II, title VI, title VII, title VIII, or title IX" in subsection (c) and inserting in lieu thereof "any section or title of this Act"; and

(5) by striking out "(except that in any case the payment of insurance shall be in debentures)" at the end of subsection (c).

(b) Section 223(d) of such Act is amended by striking out all that follows "as he may prescribe," and inserting in lieu thereof the following: "insure under the same section as the original mortgage a loan by the mortgage in an amount not exceeding the excess of the foregoing expenses over the project income. Such loan shall (1) bear interest (exclusive of premium charges for insurance) at not to exceed the per centum per annum currently permitted for mortgages insured under the section under which it is to be insured, (2) be secured in such manner as the Secretary shall require, and (3) be limited to a term not exceeding the unexpired term of the original mortgage. The Secretary is authorized to collect a premium charge for insurance of loans pursuant to this subsection in an amount computed at the same premiumm rate as is applicable to the original mortgage. This premium shall be payable in cash or in debentures of the insurance fund under which the loan is insured at par plus accrued interest in the event of a failure of the borrower to make any payment due under such loan or under the original mortgage, both the loan and original mortgage shall be considered in default, and if such default continues for a period of thirty days, the lender shall be entitled to insurance benefits, computed in the same manner as for the original mortgage, except that in determining the interest rate under section 224 for the debentures representing the portion of the claim applicable to the loan, the date of the commitment to insure the loan and the insurance date of the loan shall be taken into consideration rather than the commitment or insurance date for the original mortgage."

SUPPLEMENTARY LOANS FOR COOPERATIVE HOUSING PURCHASED FROM THE FEDERAL GOVERNMENT

SEC. 313. Section 213(j) of the National Housing Act is amended—

(1) by inserting after the first sentence of paragraph (1) the following sentence: "The Secretary is further authorized to make commitments to insure and to insure supplementary cooperative loans (including advances during construction of improvement) with respect to any property purchased from the Federal Government by a nonprofit corporation or trust of the character described in paragraph (1) of subsection (a), if the property is covered by an uninsured mortgage representing a part of the purchase price."; and

(2) by adding before the semicolon at the end of paragraph (2)(B) the following: "; except that, the case of repairs or improvements to a property covered by an uninsured mortgage dated more than twenty years prior to the date of the commitment to insure, of such magnitude that the Secretary deems them to be a major rehabilitation or modernization of such property, the loan may have a maturity date up to ten years in excess of the remaining term of the uninsured mortgage".

EQUIPMENT IN NURSING HOMES

SEC. 314. Section 232 of the National Housing Act is amended—

(1) by striking out subsection (b)(2) and inserting in lieu thereof the following:

"(2) the term 'mortgage' means a first mortgage on real estate in fee simple, or on the interest of either the lessor or lessee thereof (A) under a lease for not less than ninty-nine years which is renewable, or (B) under a lease having a period of not less than fifty years to run from the date the mortgage was executed. The term 'first mortgage' means such classes of first liens as are commonly given to secure advances (including but not limited to advances during construction) on, or the unpaid purchase price of, real estate under the laws of the State in which the real estate is located, together with the credit instrument or instruments, if any, secured thereby, and any mortgage may be in the form of one or more trust mortgages or mortgage indentures or deeds of trust, securing notes, bonds, or other credit instruments, and by the same instrument or by a separate instrument, may create a security interest in initial equipment, whether or not attached to the realty. The term 'mortgagor' shall have the meaning set forth in section 207(a) of this Act.";

(2) by striking out so much of subsection (d) as precedes paragraph (1) and inserting in lieu thereof the following:

"(d) In order to carry out the purposes of this section, the Secretary is authorized to insure any mortgage which covers a new or rehabilitated nursing home, including equipment to be used in its operation, subject to the following conditions:"; and

(3) by striking out "when the proposed improvements are completed" before the period at the end of subsection (d)(2) and inserting in lieu thereof the following: ", including equipment to be used in the operation of the nursing home, when the proposed improvements are completed and the equipment is installed".

FLEXIBLE INTEREST RATES FOR CERTAIN FHA INSURANCE PROGRAMS

SEC. 315. Section 3(a) of the Act entitled "An Act to amend chapter 37 of title 38 of the United States Code with respect to the veterans' home loan program, to amend the National Housing Act with respect to interest rates on insured mortgages, and for other purposes", approved May 7, 1968, is amended by inserting "235(j)(2)(C), 236(j)(4)(B), 240(c)(4), 241(b)(3), 242(d)(3)(B)," after "234(f),".

FHA SECTION 221(h) PROGRAM

SEC. 316. (a) Section 221(h)(2)(A) of the National Housing Act is amended to read as follows:

"(A) be executed by a private nonprofit corporation or association, approved by the Secretary, for financing the purchase and rehabilitation (with the intention of subsequent resale) of property comprising one or more tracts or parcels, whether or not contiguous upon which there is located deteriorating or substandard housing consisting of (i) four or more single-family dwellings of detached, semidetached or row construction, or (ii) four or more one-family units in a structure or structures for which a plan of family unit ownership approved by the Secretary is established;".

(b) Section 221(h) of such Act is amended by adding at the end thereof (after the new paragraph added by section 101(c)(3) of this Act) two new paragraphs as follows:

"(7) Where the Secretary has approved a plan of family unit ownership, the terms 'single-family dwelling', 'single-family dwellings', 'individual dwelling', and 'individual dwellings' shall mean a family unit or family units, together with the undivided interest (or interests) in the common areas and facilities.

"(8) For purposes of this subsection, the terms 'single-family dwelling' and 'single-family dwellings' (except for purposes of paragraph (7)) shall include a two-family dwelling which has been approved by the Secretary if one of the units is to be occupied by the owner."

HOUSING IN OUTLYING AREAS

SEC. 317. Section 203(i) of the National Housing Act is amended by striking out "not in excess of $12,500" and inserting in lieu thereof "not in excess of $15,000".

Mr. PATMAN (during the reading). Mr. Chairman, I ask unanimous consent that this title of the bill be considered as read, printed in the RECORD, and subject to amendment at any point.

The CHAIRMAN. Is there objection to the request of the gentleman from Texas?

There was no objection.

AMENDMENT OFFERED BY MR. MACHEN

Mr. MACHEN. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. MACHEN: On page 90, after line 4, add the following new section:

"COOPERATION WITH LOCAL GOVERNMENTS IN CONNECTION WITH MORTGAGE INSURANCE FOR HIGH-DENSITY HOUSING

"SEC. 318. Title V of the National Housing Act is amended by adding at the end thereof the following new section:

"'COOPERATION WITH LOCAL GOVERNMENTS IN CONNECTION WITH MORTGAGE INSURANCE FOR HIGH-DENSITY HOUSING

"'SEC. 524. (a) Upon receiving an application for the insurance, under any provision of this Act, of a mortgage covering housing which will produce an average density on the property involved of more than five dwelling units per acre, the Secretary shall notify the governing body of the locality where such housing is or will be situated, requesting that such governing body submit a statement of the impact which the housing will have on public services provided by the local government and its agencies together with a statement of the relationship of the housing and its related facilities to any locally adopted master plans.

"'(b) After receiving and considering the statement submitted by the local governing body (or after the expiration of a reasonable period of time if no such statement is submitted), the Secretary may tentatively approve the mortgage for insurance in accordance with the provision of this Act under which the insurance was sought if he finds that the housing and its related facilities will be consistent with any comprehensive planning which may have been developed for the area and with any locally-adopted master plans, and shall promptly notify the local governing body of such tentative approval.

"'(c) At any time within 90 days after notification of the Secretary's tentative approval under subsection (b), the local governing body may approve or disapprove the Secretary's tentative action, including, in the case of disapproval, a comprehensive statement of its reasons therefor. After receiving the approval of the local governing body, or after receiving and considering its disapproval and the statement of reasons therefor, or (if the local governing body has neither approved nor disapproved his tentative action) upon the expiration of the 90-day period, the Secretary may finally approve the mortgage for insurance in accordance with the provision of this Act which the insurance was sought if he finds that the housing and its related facilities will be consistent with any comprehensive planning which may have been developed for the area and with any locally-adopted master plans, and that such housing and facilities will not cause an unreasonable burden on public services provided by the local government and its agencies.'"

Mr. MACHEN (during the reading). Mr. Chairman, I ask unanimous consent that the amendment be considered as

read and printed in the RECORD. It is my opinion that I can explain the amendment in very short order.

The CHAIRMAN. Is there objection to the request of the gentleman from Maryland?

There was no objection.

(Mr. MACHEN asked and was given permission to revise and extend his remarks.)

Mr. MACHEN. Mr. Chairman, the amendment that I propose is one that I hope the House will adopt. It deals with the requirement that the Federal Government, through the housing development people, would have to consult with local authorities in connection with approval of the loan insurance for high density housing, particularly under section 221(d)(3). I know they say that will be phased out, but with the many, many programs supervised by HUD I want to make certain that there are adequate local facilities, schools, roads, et cetera, under section 221(d)(3). A good example happened right in my district here just in the last 2 weeks: a 10-acre tract of land where commitments were issued for a 500-unit apartment house to house 2,000 people, and where the schools in the area there now are taxed beyond their capacity and there is no other land in the area, and there is no additional land for recreation. This is to be one of those housing projects that will include the low- and moderate-income people.

When that land was originally zoned some 4 or 5 years ago the plans were that there would be no more than 30 or 40 children there. It is now estimated that will increase to 300 children.

We are not opposed to these type projects, but we are when they are forced on the people, and when those who move into them become disillusioned because there are no schools available.

This project will be completed in 2 years.

In the amendment I am offering I am not prohibiting, but I am only asking that HUD contact the local authorities, submit their plans to them, and the local authorities can in turn advise HUD as to just what schools there are, what roads there are, and whether they can take care of them.

In the event of any arbitrariness on the part of the local authorities, HUD can still, after a reasonable period of time, and after reviewing comprehensive and master plans for the area, still approve the project.

This amendment is not to stop them, but is just to make it an orderly procedure in order that there not be a tremendous impact upon the local communities when the local community services have to be paid for locally. We are speaking in terms of roads, recreational areas, and schools.

Certainly where projects are insured by the Federal Government such as these are they should be concerned whether these facilities are available, and not create another problem after everyone has moved in and then they want to undo what was done.

Mr. Chairman, I certainly hope the committee will accept this amendment. It is a safeguard. It is not to stop development under section 221(d)(3), or any of the other Government-insured programs.

So, Mr. Chairman, I would urge the adoption of this amendment for the protection of the local communities.

Mr. REUSS. Mr. Chairman, I rise in opposition to the amendment.

Mr. Chairman, I shall be brief. We must vigorously oppose the amendment because it would markedly interfere with the very good private enterprise multifamily housing projects approach of the bill before us. It would do so by requiring a 90-day holdup of everything while the local community looked at the proposed private enterprise project.

There is no reason why a local community should have any need to hold up a project insured under this bill. The projects under this bill are of course subject to all zoning requirements, master plans and other requirements of the communities.

Mr. Chairman, the arbitrary insertion of a 90-day holdup would simply mean that the massive private enterprise attack on our housing problem would never get off the ground. Therefore the amendment should be voted down.

Mr. MACHEN. Mr. Chairman, will the gentleman yield?

Mr. REUSS. I yield to the gentleman from Maryland.

Mr. MACHEN. Mr. Chairman, I thank the gentleman for yielding.

Mr. Chairman, I am sure the gentleman shares my concern that whether it is private enterprise or otherwise, that there should be adequate school facilities available, and that there are adequate recreational facilities available in those areas where these projects are to be put.

Does the gentleman not share that view?

Mr. REUSS. Entirely, and fortunately HUD under existing legislation has the power and the duty of requiring adequate recreational, education, religious, employment, and other facilities in the general area of these multifamily housing projects. It would be undesirable, however, to impose an arbitrary, automatic, and unyielding requirement that the whole thing be held up for 90 days. That is why we must oppose the gentleman's amendment.

Mr. MACHEN. Mr. Chairman, will the gentleman yield?

Mr. REUSS. I am glad to yield to the gentleman.

Mr. MACHEN. Do you not think it is just as important that there be adequate school facilities in connection with these housing projects?

Mr. REUSS. Absolutely, whether the housing be a luxury project or whether it be a low- or moderate-income project, adequate schooling is necessary. But that is in the present HUD requirements and the 90-day stop order that the gentleman's amendment would enact would seriously interfere with just the kind of provision or moderate-income housing that this bill is aimed to bring about.

Mr. MACHEN. If, as you say, HUD was as concerned, then I do not think I would have to ask for this amendment. But, certainly, if it occurs, such as has occurred here within the last 2 weeks, in the approval of a 500-unit on a 10-acre tract of land, with the schools in the area now overcrowded, even if they start tomorrow to try to find land to build the schools, there would not be adequate school facilities for those 2,000 people where it is estimated that between 200 and 300 children are coming in with them.

Mr. REUSS. Was this the suburban apartments where the planners had in mind——

Mr. MACHEN. The 221(d)(3)—that is the very project. That is the thing, I think, we need protection on.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Maryland [Mr. MACHEN].

The amendment was rejected.

AMENDMENT OFFERED BY MR. BROCK

Mr. BROCK. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. BROCK: On page 88, line 3, strike "and".

On page 88, line 10, strike out the period and insert "; and".

On page 88, after line 10, insert the following:

"(4) by inserting before the semicolon at the end of subsection (d)(3)(A) the following: "(except that in the case of a mortgage which covers equipment the maturity may not exceed the reasonable use expectancy of such equipment)".

Mr. BROCK. Mr. Chairman, the Committee put in a section of the bill which allows the financing of nursing home equipment. It is an excellent section.

Mr. Chairman, this would require that a mortgage which covers the equipment in a nursing home and uses that equipment as security cannot be for a longer period of time than the reasonable use expectancy of the equipment.

If the mortgage was for a longer period than the useful life of the equipment, the equipment would be of no security against default after this useful life had elapsed.

Mr. BARRETT. Mr. Chairman, will the gentleman yield?

Mr. BROCK. I yield to the gentleman.

Mr. BARRETT. Mr. Chairman, of course, I am sure the gentleman knows they have reserves for the replacement of this type of equipment. Therefore, it is always up to date.

You are asking for two maturity dates—one on the structure and one on the equipment. Certainly, we want to cooperate with the gentleman. I am going to ask our side to accept the amendment and, of course, give us a chance to look it over further in conference.

Mr. BROCK. I thank the gentleman.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Tennessee [Mr. BROCK].

The amendment was agreed to.

Mr. FRASER. Mr. Chairman, I move to strike the requisite number of words.

(Mr. FRASER asked and was given permission to revise and extend his remarks.)

Mr. FRASER. Mr. Chairman, the passage of the omnibus housing bill will rank among the most significant social welfare efforts of the 90th Congress. This legislation represents the first step in the President's plan to eliminate all substandard housing in our country within

10 years. Under this bill, we will start creating housing of all types at a rate 10 times faster than we have been able to do up to now.

Probably the most innovative feature of the housing bill is the new homeownership plan provided for in title 1. Until recently, Government-assisted housing for the poor meant traditional public housing. In the 1966 housing bill, Congress initiated the 221(h) program which enabled nonprofit groups to purchase, moderate cost private housing, renovate it and resell it to low-income families. This year we are expanding the homeownership principle set forth in the 1966 bill by authorizing interest subsidies to low-income families to enable them to become homeowners. This new subsidy plan will make homeownership possible for an estimated half million low- and moderate-income families.

In addition to this new homeownership plan, the 1968 bill attempts to meet the housing needs of the poor by increasing the authorization for public housing and by expanding recent efforts to encourage nonprofit sponsorship of rental housing.

Title IV of the bill recognizes that good housing can only survive in a good environment. Under this title, improvements are made in programs to prevent and eliminate urban blight. My district, Minneapolis, was an early leader in the effective use of these urban development tools and I know that this bill will enable my city to continue to make progress in its effort to create a healthful and pleasant environment for all our residents.

Certain deficiencies in current urban renewal programs are corrected through the new neighborhood development and interim assistance programs. Neighborhood development reduces the delays between the approval and implementation of renewal plans while interim assistance provides grants to deal with immediate problems in areas that are eventually slated for full scale urban development projects.

The ability of the individual homeowners to conserve and improve their own property is also strengthened in title IV. I am pleased to see that the Banking and Currency Committee saw merit in my suggestion to liberalize rehabilitation loans available to property owners in project areas. Section 409 makes these rehabilitation loans available for general home improvements after the loans have been used to bring the property up to urban renewal or code enforcement standards.

Direct home improvement grants to low income families are increased in title IV from the current level of $1,500 to $3,000. These grants and the rehabilitation loans are also made available to property owners outside the bounds of federally funded projects, but who live in potentially blighted neighborhoods.

Time does not permit me to discuss the many other important features of this bill—the model neighborhoods authorization, the new riot reinsurance program and the urban mass transit grants, to name just a few. This bill contains scores of new features each of which would qualify as major pieces of legislation in themselves. The Banking and Currency Committee is to be commended for its careful preparation of this most comprehensive legislation to come before us during the current session.

By approving the omnibus housing bill, we will be making a major impact on the future growth of our American cities. I am pleased to give my enthusiastic support to this bill.

AMENDMENT OFFERED BY MR. MACHEN

Mr. MACHEN. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. MACHEN: On page 90, after line 4, add the following new section:

"COOPERATION WITH LOCAL GOVERNMENT IN CONNECTION WITH SECTION 221(D)(3) PROJECTS

"SEC. 318. Section 221 of the National Housing Act is amended by adding at the end thereof (after the new subsections added by section 105 of this Act) the following new subsection:

"'(k) Upon receiving any applications for the insurance of a mortgage under subsection (d)(3), the Secretary shall notify the governing body of the locality where the project involved is or will be situated, requesting that such governing body submit a statement of the impact which such project will have on public services provided by the local government and its agencies together with a statement of the relationship of such project to any locally-adopted master plans. After receiving and considering the statement submitted by the local governing body (or after the expiration of a reasonable period of time if no such statement is submitted), the Secretary may approve the mortgage for insurance in accordance with the provisions of this section if he finds that the project involved is consistent with any comprehensive planning which may have been developed for the area and with any locally-adopted master plans.'"

Mr. MACHEN (during the reading). Mr. Chairman, I ask unanimous consent that the amendment be considered as read and printed in the RECORD.

The CHAIRMAN. Is there objection to the request of the gentleman from Maryland?

Mr. KYL. Mr. Chairman, I object.

The Clerk concluded the reading of the amendment.

The CHAIRMAN. The gentleman from Maryland is recognized for 5 minutes.

(Mr. MACHEN asked and was given permission to revise and extend his remarks.)

Mr. MACHEN. Mr. Chairman, I know the hour is getting late. I hate to continue to take the time of the House. The amendment is somewhat similar to the amendment that was offered earlier, but is much more restrictive in order, perhaps, to take care of the objections that were raised by the committee. This particular amendment is limited specifically to approval of loan applications under 221(d)(3). It merely provides that the Secretary shall notify the local governing body of the locality where projects are located or are proposed to be built, requesting that such governing bodies submit a statement of the impact which such project will have on public services provided; namely, your roads, your schools, and your recreational areas.

I can say to you, as was mentioned earlier in connection with low-rent housing, Members spoke out against having high-rise use for low-rent housing projects.

Mr. PATMAN. Mr. Chairman, will the gentleman yield?

Mr. MACHEN. I yield to the distinguished chairman.

Mr. PATMAN. We have discussed the amendment of the gentleman from Maryland. He has kindly provided us with a copy, and it meets with our approval. If it meets the approval of the minority, we would be willing to accept the amendment.

Mr. WIDNALL. We will accept it, too.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Maryland [Mr. MACHEN].

The amendment was agreed to.

The CHAIRMAN. Are there any further amendments to title III? If not, the Clerk will read.

The Clerk read as follows:

TITLE IV—URBAN RENEWAL

NEIGHBORHOOD DEVELOPMENT PROGRAMS

SEC. 401. (a) Title I of the Housing Act of 1949 is amended by adding after the title heading the following new subheading:

"PART A—URBAN RENEWAL PROJECTS, DEMOLITION PROGRAMS, AND CODE ENFORCEMENT PROGRAMS"

(b) Title I of such Act is further amended by adding at the end thereof the following new part:

"PART B—NEIGHBORHOOD DEVELOPMENT PROGRAMS

"PURPOSE AND AUTHORITY

"SEC. 131. (a) To facilitate more rapid renewal and development of urban areas on an effective scale, and to encourage more efficient and flexible utilization of public and private development opportunities by local communities in such areas, the Secretary is authorized to make financial assistance available under this title to local public agencies for undertakings and activities which are carried out under a neighborhood development program approved by him pursuant to this part.

"(b) A neighborhood development program shall consist of urban renewal project undertakings and activities in one or more urban renewal areas which are planned and carried, out on the basis of annual increments in accordance with the provisions of this title for planning and carrying out urban renewal projects, except as modified by the provisions of this part.

"(c) No application for financial assistance in planning and carrying out a neighborhood development program shall be approved by the Secretary unless—

"(1) the governing body of the locality has, by resolution or ordinance, approved the proposed program and the annual increment covered by the application and authorized the filing of the application for financial assistance; and

"(2) the Secretary has concluded that there is the necessary capacity to carry out the undertakings and activities included under the program.

"FINANCIAL PROVISIONS

"SEC. 132. (a) Upon the approval of a neighborhood development program by the Secretary, the cost of any undertakings and activities authorized as part of the program shall be financed in accordance with the loan, capital grant, and project cost provisions of part A, except that—

"(1) net project cost may be calculated on the basis of costs incurred and proceeds derived for the account of the program during a specified twelve-month period, and may be

recalculated for succeeding periods of twelve months to reflect additional costs and additional proceeds since the date of the last computation or recomputation; and

"(2) if property has been acquired but not disposed of prior to the computation or recomputation of net project cost, temporary loans made or secured under this title to finance undertakings or activities included in the program may remain outstanding until the property has been disposed of and the proceeds thereof, together with additional funds becoming available to the program, are sufficient to permit repayment of the loans.

"(b) In the event that gross project cost as computed for a specified twelve-month period is exceeded, with respect to that period, by the sum of (1) the sales price of land or other property sold, and (2) the imputed capital value of land or other property leased or retained by the local public agency in accordance with the provisions of the urban renewal plan, the local public agency shall pay to the Secretary two-thirds of the excess (or three-fourths in the case of a program on a three-fourths grant basis), which amount shall be available to the Secretary for grant payments under section 103.

"LOCAL GRANTS-IN-AID

"SEC. 133. (a) For the purpose of determining the eligibility of local grants-in-aid in connection with undertakings and activities carried out under a neighborhood development program, the three-year period referred to in the second paragraph of section 110(d) shall be deemed to be a period of three years prior to the authorization by the Secretary of the first contract for financial assistance under the program which includes the urban renewal area which is benefited by the public improvement or facility for which credit is claimed; and the seven-year period referred to in clause (1) of section 112(b) shall be deemed to be a period of seven years prior to the date of authorization by the Secretary of the first contract for financial assistance under the program which includes the urban renewal area which is benefited by the expenditures for which credit is claimed.

"(b) No portion of the cost of a public improvement or public facility (to the extent otherwise eligible) may be included as a local grant-in-aid in computing the gross project cost of an approved program for any twelve-month period—

"(1) prior to commencement of construction of the improvement or facility, or

"(2) in excess of the amount actually expended or obligated by contract.

"(c) The provisions of section 104 with respect to the pooling of local grants-in-aid among the various projects undertaken by a local public agency shall not be applicable with respect to any excess local grants-in-aid resulting from the urban renewal projects contained in a neighborhood development program.

"GENERAL PROVISIONS

"SEC. 134. (a) For purposes of this part—

"(1) the workable program requirement in section 101(c) shall apply to the authorization, rather than the execution, of any contract for loans or capital grants;

"(2) capital grants on a three-fourths basis may only be made under section 103(a)(2)(B);

"(3) the relocation requirements specified in section 105(c) shall apply to each annual increment of an approved program;

"(4) section 106(g) (relating to transient housing) shall apply to activities undertaken under approved programs, except that the determination as to need for transient housing shall be made with respect to any sale or lease of land for construction of such housing prior to such sale or lease; and

"(5) the requirement concerning demolition and removal of buildings and improvements stated in clause (A) of the sentence following paragraph (10) of section 110(c) shall apply to each annual increment of an approved program.

"(b) The approval by the Secretary of financial assistance for one or more annual increments of a neighborhood development program shall not be considered as obligating him to provide financial assistance for any subsequent annual increments.

"(c) The urban renewal plan referred to in section 110(b) may cover one or more of the urban renewal areas covered by a neighborhood development program and such plan may be modified from time to time to cover additional urban renewal areas added to the program. The Secretary may establish such requirements as he deems appropriate proscribing the scope and content of such plan, taking into consideration, among other matters, the degree of detail needed in the plan to properly and expeditiously carry out the activities and undertakings proposed in any annual increment of a neighborhood development program."

(c) Notwithstanding any requirement or condition to the contrary in section 6 or 20(i) of the District of Columbia Redevelopment Act of 1945 or in any other provision of law, the District of Columbia Redevelopment Land Agency may plan and undertake neighborhood development programs under part B of title I of the Housing Act of 1949 (as added by this section), subject to all of the provisions of such Act of 1945 to the extent not inconsistent with such part B, and any such program shall be regarded as complying with the requirements of such sections 6 and 20(i) and of such other provision of law if it meets the applicable requirements established under such part B.

INCREASED AUTHORIZATION

SEC. 402. (a) Section 103(b) of the Housing Act of 1949 is amended by striking out everything in the first sentence after "exceed" and inserting in lieu thereof "$7,600,000,000, which amount shall be increased by $1,400,000,000 on July 1, 1969".

(b) Section 103(b) of such Act is further amended by striking out "$250,000,000" in the second sentence and inserting in lieu thereof "$600,000,000".

REHABILITATION GRANTS

SEC. 403. (a) The second sentence of section 115(a) of the Housing Act of 1949 is amended by striking out the words "a structure" and "such structure" and inserting in lieu thereof "real property" and "such real property," respectively.

(b) Section 115(b) of such Act is amended by striking out "$1,500" and inserting in lieu thereof "$3,000".

(c) Section 115(a) of such Act is amended by inserting "(1)" after "(a)", and by adding at the end thereof a new paragraph as follows:

"(2) In addition to the authority conferred by paragraph (1), and notwithstanding any other provision of this title, the Secretary is authorized, through the utilization of local public agencies where feasible, to make grants (payable from any grant funds provided under section 103(b)) to an individual or family, as described in subsection (c), to cover the cost of repairs and improvements necessary to make real property owned and occupied by such individual or family conform to public standards for decent, safe, and sanitary housing as required by applicable codes. No grants shall be made under this paragraph in the case of any property unless such property is in an area within a locality (other than an urban renewal area or an area in which a program of concentrated code enforcement is being carried out pursuant to section 117) which the governing body of the locality has determined, and so certifies to the Secretary, contains a substantial number of structures in need of rehabilitation.

(d) Section 115 of such Act is further amended—

(1) by redesignating subsection (b) as subsection (c) and inserting after subsection (a) a new subsection (b) as follows:

"(b) The Secretary is authorized to make grants (payable from any grant funds provided under section 103(b)), through the utilization of local public and private agencies where feasible, to an individual or family, as described in subsection (c), who owns and occupies real property which has been determined to be uninsurable because of physical hazards after an inspection pursuant to a statewide property insurance plan approved by the Secretary under title XII of the National House Act. Such grants may only be made to rehabilitate such property to the extent which the Secretary determines to be necessary to make it meet reasonable underwriting standards imposed by such plan and only where the property is located in an area which the Secretary determines (1) is sufficiently stable and contains sufficient public facilities and amenities to support long-term values, or (2) is one in which public or private actions are being carried out, or are proposed to be carried out, of such scope and quality as to give reasonable promise that a stable environment will be created."; and

(2) by striking out "subsection (b)" in subsection (a) and inserting in lieu thereof "subsection (c)".

REHABILITATION IN URBAN RENEWAL AREAS

SEC. 404. Section 110(c)(8) of the Housing Act of 1949 is amended by striking out (1) "guidance purposes, and", and (2) the proviso at the end thereof.

DISPOSITION OF PROPERTY FOR LOW AND MODERATE INCOME HOUSING

SEC. 405. Section 107(a) of the Housing Act of 1949 is amended—

(1) by inserting "or other approved purchaser or lessee," after "public body or agency,";

(2) by inserting ", section 221(h)(1), section 235(j)(1), or section 236" after "or (d)(4)";

(3) by inserting "or lessee" after "a purchaser" and after "such purchaser", and "or lease" after "purchase";

(4) by striking out "rental or cooperative"; and

(5) by striking out "moderate" and inserting in lieu thereof "low or moderate".

CAPITAL GRANTS FOR LOW AND MODERATE INCOME HOUSING IN OPEN LAND PROJECTS

SEC. 406. Section 103(a)(1) of the Housing Act of 1949 is amended by inserting before the period at the end thereof the following: ", except that he may contract for such a grant in an amount not to exceed two-thirds of the difference between the proceeds from any land disposed of pursuant to section 107 and the fair value of the land without regard to such section".

URBAN RENEWAL LOAN CONTRACTS

SEC. 407. (a) Section 102(c) of the Housing Act of 1949 is amended—

(1) by striking out "at interest rates lower than provided in the loan contract" in the first sentence; and

(2) by inserting before the period at the end of the first sentence the following: ": *Provided*, That, if at any time during the undertaking of the project, the interest rate on such a loan from a source other than the Federal Government is greater than the rate at which funds could be made available under the Federal loan contract, the Secretary may make a supplemental grant to the local public agency in the amount of the difference between the interest cost from such sources and the interest cost at the contract rate, and no part of the amount of any such grant shall be required to be contributed as a part of the local grant-in-aid".

(b) Loan contracts outstanding on the date of enactment of this section may be amended to incorporate the provisions authorized by the amendment contained in subsection (a) without regard to the proviso in section 110(g) of the Housing Act of 1949.

PROJECT COMPLETION PRIOR TO DISPOSITION OF CERTAIN PROPERTY

SEC. 408. (a) Section 106 of the Housing Act of 1949 is amended by adding at the end thereof the following new subsection:

"(i) Upon a determination by the Secretary that (1) not more than 5 per centum of the total area of land acquired as part of an urban renewal project remains to be disposed of, (2) the local public agency does not expect to be able, due to circumstances beyond its control, to dispose of such land in the near future, (3) all other project activities are completed, and (4) the local public agency has agreed to dispose of or retain such land for uses in accordance with the urban renewal plan, the urban renewal project may be deemed completed, and the net project cost may be computed and the capital grant paid."

(b) Section 110(f) of such Act is amended by inserting before the period at the end thereof the following: "or for subsequent disposition or retention as provided under section 106(i)".

REHABILTATION LOANS

SEC. 409. (a) The first sentence of section 312(d) of the Housing Act of 1964 is amended to read as follows: "There is authorized to be appropriated for each fiscal year such amounts as may be necessary which shall constitute a revolving fund to be used by the Secretary in carrying out this section."

(b) Section 312(h) of such Act is amended by striking out "October 1, 1969" and inserting in lieu thereof "June 30, 1973".

(c) Section 312(a) of such Act is amended to read as follows:

"(a) The Secretary is authorized, through the utilization of local public and private agencies where feasible, to make loans as herein provided to the owners and tenants of property to finance the rehabilitation of such property. No loan shall be made under this section unless—

"(1)(A) the property is situated in an urban renewal area or an area in which a program of concentrated code enforcement activity is being carried out pursuant to section 117 of the Housing Act of 1949, and the rehabilitation is required to make the property conform to applicable code requirements or to carry out the objectives of the urban renewal plan for the area and, in addition, to generally improve the condition of the property; or

"(B)(i) the property is in an area (other than an area described in subparagraph (A)) which the governing body of the locality has determined, and so certifies to the Secretary, contains a substantial number of structures in need of rehabilitation and (ii) the property is residential, owner-occupied, and in need of substantial rehabilitation;

"(2) the applicant is unable to secure the necessary funds from other sources upon comparable terms and conditions; and

"(3) the loan is an acceptable risk taking into consideration the need for the rehabilitation, the security available for the loan, and the ability of the applicant to repay the loan."

(d) Section 312 of such Act is further amended—

(1) by inserting "or" after the semicolon at the end of paragraph (1)(B) in subsection (a) (as amended by subsection (c) of this section), and by inserting after such paragraph (1)(B) the following new subparagraph:

"(C)(i) the property has been determined to be uninsurable because of physical hazards after an inspection pursuant to a statewide property insurance plan approved by the Secretary under title XII of the National Housing Act, (ii) the loan is made to the owner or tenant of the property to finance rehabilitation which the Secretary determines to be necessary to make the property meet reasonable underwriting standards, and (iii) the property is located in an area which the Secretary determines is sufficiently stable and contains sufficient public facilities and amenities to support long-term values, or is one in which public or private actions are being carried out, or are proposed to be carried out, of such scope and quality as to give reasonable promise that a stable environment will be created;"; and

(2) by striking out "or" after "applicable codes" in subsection (b)(1) and inserting in lieu thereof a comma, and by inserting after "urban renewal plan" in such subsection ", or a Statewide property insurance plan".

DEMOLITION GRANTS

SEC. 410. (a) The first sentence of section 116(a) of the Housing Act of 1949 is amended by inserting after "unsound" the following: ", a harborage or potential harborage of rats,".

(b) Section 116(b) of such Act is amended by inserting after the comma at the end of clause (2) the following: "or will be consistent with a systematic rodent control program being undertaken in the neighborhood,".

AIR RIGHTS SITES IN URBAN RENEWAL AREAS

SEC. 411. (a) Section 110(c)(1)(iv) of the Housing Act of 1949 is amended by striking out "for use for industrial development" and inserting in lieu thereof "for use for the development of industrial or educational facilities".

(b) Section 110(c)(7) of such Act is amended by striking out for industrial development" and inserting in lieu thereof "for the development of industrial or educational facilities".

INTERIM ASSISTANCE FOR BLIGHTED AREAS

SEC. 412. Title I of the Housing Act of 1949 is amended by adding after section 117 a new section as follows:

"INTERIM ASSISTANCE FOR BLIGHTED AREAS

"SEC. 118. Notwithstanding any other provision of this title, the Secretary is authorized to enter into contracts (in an aggregate amount not to exceed $40,000,000 in any fiscal year) to make, and to make, grants as provided in this section (payable from any grant funds provided under section 103(b)) to cities, other municipalities, and counties for the purpose of assisting such localities in carrying out programs to alleviate harmful conditions in slum and blighted areas which are planned for substantial clearance, rehabilitation, or federally assisted code enforcement in the near future but in which some immediate public action is needed until clearance, rehabilitation, or code enforcement activities can be undertaken. Such grants shall not exceed two-thirds (or three-fourths in the case of any city, other municipality, or county having a population of fifty thousand or less according to the most recent decennial census) of the cost of planning and carrying out programs which may include (1) the repair of streets, sidewalks, parks, playgrounds, publicly owned utilities, and public buildings to meet needs consistent with the short-term continued use of the area prior to the undertaking of the contemplated clearance or upgrading activities, (2) the improvement of private properties to the extent needed to eliminate the most immediate dangers to public health and safety, (3) the demolition of structures determined to be structurally unsound or unfit for human habitation and which constitute a public nuisance and serious hazard to the public health and safety, (4) the establishment of temporary public playgrounds on vacant land within the area, and (5) the improvement of garbage and trash collection, street cleaning and similar activities. The Secretary shall encourage, wherever feasible, the employment of otherwise unemployed or underemployed residents of the area in carrying out the activities and undertakings assisted under this section. The provisions of sections 101(c), 106, and 114 shall be applicable to activities and undertakings assisted under this section to the same extent as if such activities and undertakings were being carried out in an urban renewal area as part of an urban renewal project."

LOW AND MODERATE INCOME HOUSING IN RESIDENTIAL URBAN RENEWAL AREAS

SEC. 413. Section 105(f) of the Housing Act of 1949 is amended to read as follows:

"(f) A majority of the housing units provided in each community's total of such approved urban renewal projects as will be redeveloped for predominantly residential uses and which receive Federal recognition after the date of enactment of the Housing and Urban Development Act of 1968 shall be standard housing units for low and moderate income families or individuals: *Provided*, That the units in each community's total of such approved urban renewal projects which are for low income families or individuals shall constitute at least 20 per centum of the units in such projects."

WORKABLE PROGRAM REQUIREMENT IN CASE OF INDIAN TRIBES

SEC. 414. Section 101 (c) of the Housing Act of 1949 is amended by inserting after "1964" in the second proviso the following: "or, in the case of an Indian tribe, band, or nation, commencing January 1, 1969".

Mr. PATMAN (during the reading). Mr. Chairman, I ask unanimous consent that title IV be considered as read, printed in the RECORD, and open to amendment at any point.

The CHAIRMAN. Is there objection to the request of the gentleman from Texas?

There was no objection.

AMENDMENTS OFFERED BY MR. HALPERN

Mr. HALPERN. Mr. Chairman, I offer two amendments to title IV, both of which are pertinent to the identical subject matter. I ask unanimous consent that they be read and be considered together.

The CHAIRMAN. Is there objection to the request of the gentleman from New York?

There was no objection.

The Clerk read as follows:

Amendments offered by Mr. HALPERN: On page 98, strike out lines 11 through 16 and insert the following: "governing body of the locality has determined, and so certifies to the Secretary, contains a substantial number of structures in need of rehabilitation.'; and".

On page 104, strike out lines 2 through 8 and insert the following:

"(iii) the property is located in an area which the governing body of the locality has determined, and so certifies to the Secretary, contains a substantial number of structures in need of rehabilitation;'; and".

Mr. HALPERN. Mr. Chairman, this amendment would clarify what I believe is the intent of the rehabilitation aid section of title IV of H.R. 17989. Surely it is the intent of the legislation to make rehabilitation funds available in those areas where they are most needed. But under the existing language of the title, such funds could actually be denied in precisely those areas which are most in need. That is why I offer this amend-

ment, which would guarantee that those areas most in need of rehabilitation assistance would be eligible for funds under this program.

The program of rehabilitation grants and loans contained in title IV of this act, which is applicable to property found uninsurable under title X, is an imaginative and valuable addition to the Senate version of the Housing and Urban Development Act. Rehabilitation of existing structures must accompany construction of new buildings if urban renewal is to be truly effective. However, it should be pointed out that the present phrasing of the rehabilitation program included in title IV contains an inconsistency which might cause rehabilitation grants and loans to be denied in those areas where they are most desperately needed.

Section 403, subsection (c) and section 409, subsection (c) in title IV of the act each lay down flexible standards for assistance, stating that grants and loans may be provided for any area "which the governing body of the locality has determined, and so certifies to the Secretary, contains a substantial number of structures in need of rehabilitation." According to these provisions, any area in need of rehabilitation funds would be eligible for funds.

Two other provisions in title IV, however, seem to negate the flexibility of the criterion just mentioned. Section 403, subsection (d), and section 409, subsection (d), as now written, state that loans and grants can be provided to owners of property which is currently uninsurable only when such property "is located in an area which the Secretary determines, first, is sufficiently stable and contains sufficient public facilities and amenities to support long-term values; or, second, is one in which public or private actions are being carried out or are proposed to be carried out of such scope and quality as to give reasonable promise that a stable environment will be created." These clauses clearly deny aid to those property owners most in need of rehabilitation assistance.

An example would serve to illustrate this. Consider an elderly low-income homeowner, living in an unstable section of an urban community. The urban insurance program, included in title X of this act, would make his home eligible for insurance for the first time. However, since the home, in this hypothetical case, has a faulty electrical system, considered to be a fire hazard, it does not measure up to insurance standards, and private insurance companies will not issue property insurance. Clearly, this is an instance where it is the purpose of this legislation to assist the homeowner in rehabilitating his electrical system to the point where his home will meet insurance standards. But under present wording, since the neighborhood is unstable, the homeowner is not eligible for any rehabilitation assistance at all.

In short, while title X of this act assures that sound property in unstable areas can now be insured, and title IV provides funds so that owners of rundown property in stable neighborhoods can receive funds to bring the property up to insurance standards, present wording excludes owners of rundown property in unstable neighborhoods from receiving rehabilitation assistance and thus excludes them from obtaining necessary property insurance.

The amendment I am offering will make the language of the act consistent by using the same criteria for assistance throughout, and stressing the need for rehabilitation, rather than the stability of the area. By virtue of this amendment owners of rundown property in unstable areas would become eligible for rehabilitation grants and loans in order to bring their property up to insurance standards and improve the condition of their community.

This focus on the needs in high-risk areas, rather than limitations based on existing or potential stability, seems more appropriate to the intent and spirit of the act.

Mr. BARRETT. Mr. Chairman, will the gentleman yield?

Mr. HALPERN. I yield to the gentleman from Pennsylvania.

Mr. BARRETT. Mr. Chairman, we have studied the amendment the gentleman is offering and, if it is agreeable with the minority side, I believe our side will accept the amendment.

Mr. WIDNALL. Mr. Chairman, will the gentleman yield?

Mr. HALPERN. I yield to the gentleman from New Jersey.

Mr. WIDNALL. Mr. Chairman, the amendment being offered by the gentleman from New York [Mr. HALPERN] is agreeable to the minority.

The CHAIRMAN. The question is on the amendments offered by the gentleman from New York.

The amendments were agreed to.

AMENDMENT OFFERED BY MR. WINN

Mr. WINN. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. WINN: On page 107, after line 22, add the following new section:

"RULE FOR DETERMINING ACQUISITION PRICE OF PROPERTY DAMAGED BY LIMESTONE QUARRY SUBSIDENCE

"SEC. 415. (a) the last paragraph of section 110(e) of the Housing Act of 1949 is amended by striking out 'underlying coal mines, or' and inserting in lieu thereof 'underlying coal mines, because of limestone quarry subsidence, or because of'.

"(b) Any contract under title I of the Housing Act of 1949 executed prior to the date of the enactment of this Act may be amended to provide for payment of the increased amounts authorized under subsection (a) with respect to any uncompleted project if the project included acquisitions which, under any State or local law in effect on such date, would involve expenditures by local public agencies that could not otherwise be included in the cost of such project."

Mr. WINN (during the reading). Mr. Chairman, I ask unanimous consent that the amendment be considered as read and printed in the RECORD.

The CHAIRMAN. Is there objection to the request of the gentleman from Kansas?

There was no objection.

Mr. PATMAN. Mr. Chairman, will the gentleman furnish us a copy of the amendment?

Mr. WINN. I am sorry, Mr. Chairman, I thought I had furnished enough copies, but I will furnish a copy.

Mr. Chairman, I am privileged to submit for your consideration a proposed amendment to the Housing Act of 1949. I will outline briefly the facts that have prompted me to offer the amendment.

I represent the Third Congressional District of Kansas which includes a portion of Kansas City, Kans. During the spring of 1965 a subdivision of Kansas City, Kans., known as the Hilltop area experienced severe surface instability. This was evidenced by several serious cave-ins which resulted in extensive damage to residences located over the affected area. The bottom literally fell out of 48 houses. Fortunately no one was seriously injured, although the cave-in threatened the lives of persons residing in each of the damaged houses.

Following the cave-ins, the Renewal Assistance Division of the Department of Housing and Urban Development authorized the consulting engineering firm of Howard, Needles, Tamen & Bergendoff, of Kansas City, Mo., to conduct a feasibility study of the Hilltop area. The firm's report was submitted to Mr. Chris N. Vedros, Director of Urban Renewal Agency, Kansas City, Kans., on May 3, 1967. I am herewith offering the report to the Committee for its reference in considering the amendment which I propose. I direct the Committee's attention to the conclusion in the report that the affected portions of Hilltop be acquired by urban renewal. The report suggests that the area be cleared and developed in the most economically feasible manner as a public use area: First, public golf course; second, public park; third, wildlife area or zoo; or, fourth, sewage disposal area.

The report recognized existing legislative authority is too narrow to provide a satisfactory response to the needs of the Hilltop residents. It recommends the amendment which I have proposed in H.R. 8354 to resolve the present limitation. The effect of my bill would amend title I of the Housing Act of 1949 to extend compensation to property owners who sustain damage to their property from mine subsidence without limitation to coal mines subsidence. The injured persons would be paid the value of their property immediately prior to the occurrence which caused their loss.

I am further offering a copy of the letter which I received from the Bureau of Mines, Department of the Interior, dated March 11, 1968, wherein it is observed that there is no existing authority for assistance to persons sustaining losses similar to those experienced by the residents of the Hilltop area. The letter expresses sympathy for the plight of such persons and recommends legislative action identical to that which I have proposed to establish authority for resolving the difficulties caused when property owners are the innocent victims of mine subsidence.

Mr. Chairman, the residents of the Hilltop were indeed innocent victims of an act of nature over which they had no control. They had purchased their homes and had anticipated the quiet enjoyment of their premises. However, because of an incident completely beyond their control,

they found themselves homeless. I am not suggesting that they are deserving of relief similar to that extended to the victims of a flood or tornado. Their case can be distinguished because the redevelopment of the affected area and the relocation of the residents is clearly within the expressed purpose and spirit of urban renewal. As is pointed out in the consulting engineers' report, there are several economically feasible ways to utilize the area once it has become public property. Further, the residents of the area are valuable contributors to the economic growth of the community. It is important that their talents and energies be retained.

Mr. Chairman, I thank you for the opportunity to address you on this most important subject, and I am confident that you will favorably report any amendment for enactment into law.

Mr. WIDNALL. Mr. Chairman, if the gentleman will yield, this amendment is the same type amendment that was offered by the gentleman from Pennsylvania, Congressman McDADE, in a previous session of Congress, covering instances where property has been greatly damaged from coal mine subsidence. As I understand this amendment, it would do the same thing for those who suffer in connection with limestone quarries.

Mr. WINN. That is exactly correct. It is the same as the McDade amendment.

Mr. BARRETT. Mr. Chairman, if the gentleman will yield, I think our side is willing to take this amendment. It covers subsidence, and we have taken a similar amendment on this side. We are familiar with it and have no objection.

Mr. WIDNALL. Mr. Chairman, this side will accept the amendment.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Kansas [Mr. WINN].

The amendment was agreed to.

AMENDMENT OFFERED BY MR. RYAN

Mr. RYAN. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. RYAN: On page 107, after line 22, add the following:

"SEC. 415. Section 117 of the Housing Act of 1949 is amended by inserting the following before the period at the end of that section: ': *Provided*, That the Secretary may, in addition to authorizing a local public agency to make grants as prescribed in Section 115, make such grants through the utilization of local private non-profit agencies'."

Mr. RYAN. Mr. Chairman, the purpose of this amendment is very simple. It is to permit section 115 rehabilitation grants to be made through the utilization of private nonprofit agencies as well as through local public agencies.

The rehabilitation grant program can be an important instrument in the rehabilitation of entire neighborhoods. With the increase to $3,000 afforded in H.R. 17979, it can enable low-income homeowners to repair their homes, and it can provide the seed money for more extensive rehabilitation efforts.

Private nonprofit agencies are a logical conduit for channeling these funds if they possess the technical expertise. Often they can be moved to action more speedily than the local public agency. My amendment would simply permit them, as well as public agencies, to be the medium for these grants. I believe this option should be available, and I hope my amendment will be adopted.

Mr. PATMAN. Mr. Chairman, will the gentleman yield?

Mr. RYAN. I yield to the gentleman from Texas.

Mr. PATMAN. I have discussed this with other members of the committee and with the staff. The gentleman furnished us with a copy of the amendment. We are willing on this side to accept it, if the minority is willing to accept it.

The CHAIRMAN. The question is on the amendment offered by the gentleman from New York [Mr. RYAN].

The question was taken; and on a division (demanded by Mr. PATMAN) there were—ayes 64, noes 47.

So the amendment was agreed to.

Mr. O'HARA of Illinois. Mr. Chairman, from Joseph D. Keenan, international secretary of the International Brotherhood of Electrical Workers, and for many years outstanding among the Nation's leaders in all movements for the advancement of the welfare of the American people, I have received the following telegram:

DEAR CONGRESSMAN: The Omnibus Housing Bill (H.R. 17989) now before the House will test whether America intends to begin meeting our national goal of bringing decent housing within reach of every American family. The International Brotherhood of Electrical Workers strongly supports this bill especially the homeownership and rental provisions. We urge your support for the Omnibus Housing Bill as reported by the Committee and ask that you vote against any crippling amendments that are offered on the House floor.

Mr. Chairman, I am in complete agreement with Mr. Keenan and the many, many others who have wired and written me in support of one of the most comprehensive housing bills of all times.

Six million American families still live in substandard housing. The good bill before us, the enactment of which is urged by Mr. Keenan, places the emphasis upon the need of this segment of our forgotten countrymen and provides the means of meeting the need. I would say that this is the most important legislation to come before the 90th Congress and if we should adjourn before its enactment we would be derelict in the performance of our duty. If by crippling amendments we should weaken the effectiveness of the bill in bringing decent housing within the means of the 6 million American families now unhappily condemned to the dirt and misery of the slums and worse we would stand shameless and dishonored before our own constituents.

We cannot have a happy nation with 6 million families huddled under roofs that leak, 6 million families living in filth, little children and their elders cramped together in misery in housing that by even the lowest standards is unfit for human habitation. We cannot have a safe nation under such conditions. I think the disturbances of recent years have brought us all to that realization.

Mr. Chairman, when I came to the Congress in the 81st Congress, housing was the overriding problem of many of my constituents and I felt fortunate indeed when the late Thomas J. O'Brien, then a power on the Ways and Means Committee, secured a place for me on the Banking and Currency Committee. One of the happiest moments of my 18 years in the Congress was when after a long and hard fight the Housing Act of 1949 passed the House and Senate and became the law of the land. At long, long last we had started to make come true the American dream of "a decent roof over every American family."

We have come a long way since 1949. But with 6 million American families still unhappily and inadequately housed there is still a long, long way to go.

It was my privilege and certainly my pleasure to serve on the first housing subcommittee with the present chairman of the subcommittee, the distinguished gentleman from Pennsylvania [Mr. BARRETT]. Working and associating with him I came to know his great ability, his wide understanding and the drive with which he executed his task. To him go my congratulations on a good job superbly handled. My congratulations too, to one of the great legislators of our times, the distinguished gentleman from Texas, my beloved friend [Mr. PATMAN]. Also to the distinguished gentleman from New Jersey, the able ranking minority member of the committee [Mr. WIDNALL], whom I hold in warm affection and deep esteem.

Mr. Chairman, I am sure I voice the sentiment of the House when I say that on the Democratic side and on the Republican side we are proud of the membership of the great Banking and Currency Committee. And, we from the State of Lincoln are especially proud of the only member of the committee from Illinois, the able and hard-working Mr. ANNUNZIO.

Mr. GALLAGHER. Mr. Chairman, I rise today in support of the 1968 Housing and Urban Development Act. This legislation embodies some of the most enlightened and far-reaching proposals of this decade.

Two of the provisions of the act give me special pleasure. The section of this act, as reported by the Banking and Currency Committee, establishes a national program of federally assisted insurance protection in areas with high crime rates or potential riots.

Such insurance protection in riot-prone areas is absolutely essential to the future of our cities. Unless we provide a means for property owners in areas of potential civil disorder to gain the protection that only adequate insurance provides, the areas of our great cities that most need to attract new and expanded investments will be strangled. New businesses cannot come into areas where a degree of financial protection is not available and established businesses cannot long stand the risk of losing everything. This legislation, which I have advocated and sponsored for 2 years, is aimed at creating a climate for rapid and unrestricted progress and restoration of the blighted ghettos that exist in our great cities. The regeneration of our central cities is directly tied to the guarantee of full and certain insurance protection.

Second, this legislation revives the dormant National Flood Insurance Act which has been stalled in conference since late last year. The crippling amendments adopted by the House, precluding participation by the private insurance industry, have been responsible for the delay in providing this long overdue protection. Only last month, the State of New Jersey suffered disastrous and costly floods which resulted in certain of the hardest hit areas, including Union County which I represent, being declared Federal disaster areas. Certainly a great deal of the economic hardship brought by these floods would have been avoided had flood insurance been available. Unfortunately, in the hardest hit areas, particularly in Elizabeth and Linden, flood insurance coverage is simply not obtainable.

Mr. Chairman, the 1968 Housing and Urban Development Act is a significant and long step toward the goal of a decent, safe, and sanitary home for every American. I ask full support for this legislation as reported by the Banking and Currency Committee.

Mr. DONOHUE. Mr. Chairman, our late, beloved President, John F. Kennedy, once said:

> The cities—their needs, their future, their financing—these are the great unspoken, overlooked, underplayed problems of our times.

Many of us here fully agreed with his pronouncement then and have steadfastly exerted our efforts over these past few years for the legislative attainment of his recommended goals, including the elimination of substandard housing, for the rebirth of our cities and the regeneration of great numbers of their inhabitants. In this measure before us today we have a near culmination of President Kennedy's, and his successor's, long-made and long-sought recommendations and objectives in the domestic area.

Mr. Chairman, this bill now before us, H.R. 17989, the Housing and Urban Development Act of 1968, is practically universally acclaimed as a measure representing, in its entirety, the most creative, comprehensive, and prudent legislative response in the history of the Congress to the imperatively urgent national problem of providing decent housing for low- and middle-income families.

It has been rightly termed landmark legislation in the national interest and I most earnestly urge and hope it will be overwhelmingly adopted by this House today without any seriously crippling amendments.

On past occasions when we have dealt with the subject of housing here, I have repeatedly expressed my very deep conviction that our civilized society will rise or fall in proportion to the wholesomeness of our family life. Unquestionably one of the fundamentally essential ingredients in the promotion of wholesome family existence and development is decent housing and substandard housing conditions in the cities of our country are of increasing major concern to the Nation.

Mr. Chairman, this measure is designed to create housing in all forms throughout this country at a rate 10 times faster than has ever been attempted in the past and its approval will mark the beginning of the massive upgrading in standards of living so urgently required throughout the whole country and particularly in our cities.

The bill's major homeownership and improvement environment programs project a new and unique financing arrangement by which the Government would subsidize interest payments rather than entire mortgages. Those benefitting from the programs would pay, on a sliding-scale basis, a certain percentage of their income for housing. Thus, as a low-income family's earnings increase, their share in the Federal program increases proportionately. By providing Federal subsidy at established market interest rates instead of the below-market rates of the present system, the programs should entice private enterprise to participate to a far more significant degree than under current mortgage operations.

It also encompasses expanded programs for riot reinsurance, for flood insurance, for urban mass transport, for urban planning activities, for mortgage insurance on nonprofit hospitals, and for a private consortium to bring new involvement in the housing market from areas of private enterprise not traditionally involved.

Section 3 of the bill, the "jobs-in-housing" provision will be of enormous benefit to low- and moderate-income urban families. This provision contains the instruction that the Secretary of Housing and Urban Development shall require that, to the greatest extent feasible, opportunities for employment arising in connection with the construction or rehabilitation of projects assisted under such programs be given to lower income persons residing in the area of such projects.

A similar requirement is already in force with respect to model cities programs.

In substance this measure provides a goal of 6 million low- and moderate-income housing units over the next 10 years; during the next 3 years it would authorize 375,000 units of low-rent public housing.

It would provide an urban renewal authorization of $1.4 billion for fiscal year 1970, greatly reducing the backlog of applications now pending.

It would increase mass transit authorizations by $190 million, a sum which is minimal when compared with our national mass transportation needs as exemplified in my own community and commonwealth.

It would increase model cities authorization by $362 million in fiscal year 1969 and $1 billion in fiscal year 1970.

The first two programs above together with the model cities program enacted in 1966 provides the basis for the overall regeneration of entire communities but they are suffering from a serious lack of funds.

Seventy-five American cities, including my own home city of Worcester, Mass., have already been approved for Federal planning funds for massive rehabilitation and another 75 are expected to qualify before the billion dollars are to be spent in fiscal year 1970.

I believe that in order to fulfill our pledges of 1949, in housing and in 1966 for model cities, it is essential that we approve the full funding for these basic programs and strengthen their effectiveness by the adoption of the other supplemental provisions in this pending bill.

Mr. Chairman, it is not pretended that this proposal is perfect in every detail but it is, as I stated at the outset, commended by nearly every accepted authority as the most responsible by-and-large legislative effort to constructively eliminate one of the fundamental causes for the great social unrest and despair afflicting this country, substandard housing. By all reasonable rules of analysis and judgment of what should be a priority expenditure and investment for the good of all Americans, I believe this bill merits and I hope it will receive the overwhelming approval of this House.

Mr. NIX. Mr. Chairman, the Housing and Urban Development Act of 1968 before us today is an extension and expansion of legislation that began with the Housing Act of 1949. With that act we set up a national goal—a decent home for every American. With this act we can travel a long way along the road to realizing that goal. The cost is relatively modest, considering the complexity of the task. And the need is unmistakable.

President Johnson outlined that need in his message on housing and cities a few months ago. He spoke of recapturing the promise of the American city by surmounting the problems of obsolescence and despair. Obsolescence because our cities are growing faster in population than our ability to build enough decent housing, while older buildings sink into decay. Despair because squalid surroundings breed misery and hopelessness—a hopelessness almost beyond the comprehension of those of us who have never had to come home to sagging floors, falling plaster, and plumbing that would not work.

For the poor, the elderly, the handicapped, the displaced, and families with moderate incomes, owning or renting a good house or apartment at a reasonable price is the first step on the road out of hopelessness. This legislation for the first time offers a chance for American families with low incomes to know the pride and responsibility of homeownership.

For those unable to own their homes, public housing that is pleasant and convenient to live in can bring new dignity. This legislation will more than double the supply of low-rent public housing in the next 5 years.

These are only two aspects of the housing bill that merit our endorsement. Taken as a total program for easing the mounting pressures on our urban areas, this bill represents the best hope of our cities, and a chance to make that hope a reality.

Mr. ROONEY of Pennsylvania. Mr. Chairman, H.R. 17989 represents a comprehensive effort to meet the critical and urgent needs of the Nation's cities spelled out so eloquently by President Johnson. Never has the recognition of the urban crisis been so great, and never has the

legislative response, exemplified by the bill before us, been so far-reaching. The Committee on Banking and Currency has performed a valuable service for the House and for the Nation by writing this historic housing and urban development legislation.

I direct my remarks to a section of the bill that has not received a great deal of publicity but which offers great promise toward solving the problems of slums and blight in our cities. I refer to the creation of a neighborhood development program in the urban renewal legislation as provided by section 401 of the bill. During the course of the hearings there was widespread support for this provision. Mayors and urban development professionals praised this new program.

To appreciate what the neighborhood development program is, and how it differs from the present urban renewal program, it is necessary to have an understanding of the existing renewal program.

Normally, a locality designates a blighted area and applies to the Department of Housing and Urban Development for funds to prepare the necessary urban renewal plan and other pertinent data. The separate planning period usually takes about 2 years, although it is often 3 years from the time an area is designated to the time the project actually begins to acquire land, rehabilitate homes, install improvements, and undertake other activities. The project is financed in its entirety through a grant reservation that is initially based on estimates made prior to planning and which are refined when planning is completed.

Consequently, the present program requires that an urban renewal plan and a financing plan be prepared to cover a broad range of activities that will be carried out over a period of several years. Once the plans are approved and activities begin, changing circumstances over a period of time often call for revisions of the urban renewal plan and adjustments in the financing plan. Very often the changes require grant increases. This is to be expected, and properly so, in a complex program that has significant impact and which necessarily takes several years to complete. Given the dynamics of urban development processes, the program has worked well.

However, the urban renewal program has its limitations. A project must be big enough to have an impact but small enough so that the whole project can be planned in detail in advance of project execution. This includes financial considerations as well as physical planning. The system poses difficulties for communities seeking renewal activities in large areas of critical need.

Moreover, cities have found that it is often difficult to develop plans for large areas when it is known that conditions will change over a period of time. Particularly, in rehabilitation there is a need to begin quickly without lengthy planning delays during which properties may further deteriorate—even to a point where the intended rehabilitation becomes infeasible.

In many cities it is essential that some activities begin immediately upon designation of an area. This often precludes utilization of urban renewal because of its detailed planning requirements. While the present urban renewal program successfully meets the needs for which it was designed, our years of experience and the pressing needs of our cities require improvements to increase the flexibility of renewal mechanisms.

The neighborhod development program is the response to these needs. It has been designed to permit flexibility in dealing with changing conditions and to achieve the most effective and efficient utilization of available funds. It is an optional program inasmuch as localities have the choice of using it or continuing with the traditional program. Its most positive feature is its focus on flexibility of operation, permitting early action and early results.

A neighborhood development program may consist of urban renewal project undertakings and activities in one or more urban renewal areas that are planned and carried out on the basis of annual increments. The requirements would be similar to those for the existing urban renewal program with a few major differences. They are:

First. Many activities not requiring detailed planning could begin immediately, while more detailed planning of future activities proceeds concurrently. For example, rehabilitation activities could begin immediately, assisted by Federal rehabilitation loans and grants.

Second. Only those activities that can be completed in a year will be initially funded, rather than entire projects that may take many years to complete. However, localities can anticipate receiving funds for subsequent annual increments as the work proceeds. The Congress customarily appropriates urban renewal funds on a 1-year forward funding basis, making it possible for HUD reserve funds for 1 additional year at the time an annual program is approved. This can be repeated as third year funds are reserved at the time the second year funds are committed; and the same pattern can be followed in future years as progress continues.

For example, let us assume that an area of 1,000 acres is covered by a neighborhood development program. During the first year a vacant site could be developed for low- and moderate-income housing; another area could see the construction of a new school; and in a third, rehabilitation could begin. During the second year a dilapidated area could be acquired and cleared while its residents are relocated into the housing developed during the first year; a commercial shopping area could undergo rehabilitation; and several neighborhood parks could be developed. This process could continue annually until the entire area is totally renewed.

The neighborhood development program would permit cities to adjust their programs to changing conditions. It would create greater opportunities for citizen involvement, since the planning process is a continuing one. Relocation would be more successful because the amount would mtach available housing resources. The new program will substantially increase the opportunities for neighborhood residents to remain in the area if they wish.

I believe this legislation recognizes the vital necessity of local public investment in improvements and facilities in renewal areas. Just as in the existing urban renewal program, the local share of costs may be provided in cash or through investments recognized as noncash local grants-in-aid.

In the new program a facility would be eligible for this kind of assistance if its construction began within 3 years prior to the date of the first contract covering the urban renewal area to be served by the facility.

Another change tightens the eligibility for noncash credit by requiring that a facility must actually be constructed or be under contract during the annual period for which credit is claimed. This change is desirable. It will provide an incentive to localities to install needed public facilities, such as schools, sewers, streets, and other improvements, early in the renewal process.

The amount of noncash credits to be allowed in any year will be limited to that amount required to meet the local share of renewal costs. Excess credits that have been deemed eligible would be applied to subsequent annual increments. In addition, pooling credit from existing urban renewal projects may be counted toward the local share of a neighborhood development program. However, excess credits from an annual increment may only be applied to subsequent annual increments of that neighborhood development program.

The neighborhood development program offers communities an opportunity to meet head-on the forces of blight in large areas. It offers new tools that have the flexibility to meet problems and opportunities. It will permit cities to make better use of capital improvement programing. Finally, it will enable the renewal process to respond to the initiatives of private enterprise to revitalize our cities.

It is a timely program. It is an action program. It merits the support of all of us in the Congress.

Mr. EILBERG. Mr. Chairman, I want to commend the distinguished gentleman from Pennsylvania [Mr. BARRETT] and the distinguished gentleman from Texas [Mr. PATMAN] for the excellent job they have done in developing this legislation and in presenting it to the House.

I want to address myself at this time to the provisions of title X, the Urban Property Protection and Reinsurance Act of 1968. Title X is a simple and feasible answer to two nationwide problems in property insurance requiring urgent attention.

One of these problems is the result of the practice of some insurance companies "red-lining" entire neighborhoods, which means almost automatic denial of insurance solely because of location regardless of the condition of the individual properties.

Such neighborhoods frequently are congested and economically depressed and blighted urban areas, characterized by structures in need of repairs and by vacant homes and stores.

Despite these conditions, large numbers of well maintained properties are also to be found in these areas. However, good properties as well as bad ones are denied insurance.

In these instances, good properties become bad properties and the blight spreads. Repairs and improvements cannot be financed if property insurance is not available, and businesses cannot be operated without credit, and credit is difficult, if not impossible, to come by without property insurance.

Title X would operate to end such "red-lining" by providing for physical inspection of properties to determine if they are insurable. In addition, such inspections would also establish what work must be done to make them insurable.

The title would also provide for a placement facility which would operate to help agents and brokers place policies on insurable properties with private companies.

This system of inspections and placement would function under statewide plans which the State commissioners of insurance would develop in cooperation with the private property insurance industry doing business in a State.

The States and the industry would be given an inducement to operate such statewide plans for making property insurance more readily available. That inducement is Federal reinsurance against property losses from riot and civil commotion.

This brings me to the second and less familiar nationwide problem in insurance, which, despite its importance, has received only scant attention. This is a problem of the unavailability of reinsurance.

Unlike the problem of the availability of property insurance for homeowners and businessmen, which is an old problem of seriously growing proportions, the reinsurance problem is relatively new. It was precipitated by the recent riots which have been striking cities across the Nation.

Insured losses from property damage by riots have already reached catastrophic levels. The record of losses since the Watts riot, and the threat of future riots has "dried-up" the reinsurance market.

This is where the private insurance companies buy reinsurance to cover catastrophe losses from hurricanes, industrial disasters, and riots. Reinsurers have made the conditions of reinsurance against losses from riots so restrictive as to be ineffective.

Private companies cannot afford to risk exposing the reserves they have for the ordinary perils. To protect these reserves, they may have to cancel, as some companies have already done, policies in force which have endorsements for coverage against riot losses.

All standard lines of property insurance, such as fire and extended coverage, homeowners' and commercial multiple peril, burglary and theft, inland marine, boiler and machinery, aircraft physical damage, among others, carry endorsements against losses from riots and civil commotion.

If cancellations of policies in force should become widespread, as is threatened, unless some measure is taken, a serious crisis could develop. Without insurance the flow of credit so essential to homeowners and businessmen would slow down and economic activity would falter.

To meet the impairment of this market for riot-loss reinsurance, the Federal Government would offer the private insurance companies reinsurance and would charge them a premium.

Riot losses would be shared three ways. The insurance companies themselves would take the first layer, in addition to paying a premium. The second layer would be taken by the States themselves. The balance of the riot losses would be the liability of the Federal Government.

Title X would remain operative for only a 5-year period after enactment. It is a temporary measure, but President Johnson has said it is essential to meeting the insurance crisis of our cities. I sincerely urge the House to enact this provision.

Mr. THOMPSON of New Jersey. Mr. Chairman, I rise to continue the dialog on H.R. 17989, with specific reference to the approach this bill adopts toward solving our Nation's severe housing shortage.

Since Jacob Riis awakened America to the squalid conditions in its slums, this Nation has mounted program upon program to expunge this urban blight. In its 1949 Housing Act, Congress affirmed the national goal of "a decent home and a suitable living environment for every American family." Yet today, 19 years later, this goal has not been realized. The 1960 housing census informed us that 4 million urban dwelling units were completely dilapidated, 3 million were badly dilapidated, and another 2 million had serious code violations or were seriously overcrowded. Recent census studies indicate that these 1960 figures may have been underestimated by as much as one-third. These statistics were updated by the President's Commission on Civil Disorders, which observed:

> Housing grievances were found in almost all of the cities studied and appeared to be one of the most serious complaints in a majority of them.

It thus appears that the problem is still acute, and that a new and massive commitment to national action in housing is needed.

In order to meet the immediate and pressing need for decent, safe, well-constructed housing in which our Nation's citizens can live with a sense of pride and self-respect, I endorse H.R. 17989. But in supporting this bill we must not think that it alone can revitalize our urban areas. H.R. 17989 is but one approach toward resolving this country's immense housing shortage. And it is, for the most part, a strengthened version of the approach toward housing rehabilitation that this Congress has employed in its previous housing legislation. The increased allocations of funds and the more exact language of the 1968 Housing and Urban Development Act will greatly help to boost these programs' usefulness. But we must not forget to continue our search for other possible approaches toward lessening the housing shortage, alternatives which emphasize the involvement of private enterprise and individual initiative.

I call the Members' attention to section 107 of H.R. 17989; this section creates a National Homeownership Foundation which will provide technical and financial assistance to private and public groups organized to develop housing for lower income families. One of the bill's major new features, aid for homeownership, can do much to restore the urban dweller's commitment to his city. The individual who owns his home recognizes the worth of private property. Possessing a tangible stake in society, he has strong motivation to preserve and protect it. Investigations of the Commission on Civil Disorders showed that citizens who owned their own homes were not among those participating in riots. Clearly, then, the bill's provisions for homeownership provide important incentive for responsibility and stability.

The Homeownership Foundation could be a vehicle for trying out new methods of providing housing, a testing ground for new ideas which, if found successful, can then be implemented on the national level. Paul N. Ylvisaker, commissioner of the department of community affairs in my own State of New Jersey, in a statement submitted to the House Banking and Currency Subcommittee on Housing, said:

> Radical departures are called for, both in reshaping our old communities and in designing the new, if we are to break loose from the "deadend" we may have reached.

Section 107 would allow innovative departures to be made on a community basis where their functioning could be observed and their significance appraised. Through research with local projects, we can search for new ideas both for increasing the volume and beautifying the design of the low-cost housing this Nation so badly needs.

The authorization in H.R. 17989 for additional funds for the model cities program is an essential part of the legislation. The model cities program, designed to coordinate action for a comprehensive and concentrated approach to reverse the process of deterioration in our cities, is at a crucial stage. Planning which incorporates both neighborhood participation and technical expertise is now underway. But whether these plans can be implemented with impact great enough to thrust at the heart of the problems in the urban areas depends on the sufficiency of Federal funds allocated. The Federal Government has made a promise through the model cities program which it must now keep. Should it fail to follow through with adequate authorizations, its initial concern will have been wasted. But, more importantly at this critical point in our Nation's history, our Government's total credibility in its fight to save our cities will suffer severely.

The cities' physical decay has reached alarming proportions. And the urban deterioration affects not only the ghetto dweller but every American citizen. Therefore, our support of the housing and urban development bill is not an act of charity but one of practical wisdom to save our Nation's cities.

Mr. CORMAN. Mr. Chairman, I wholeheartedly support title X, the Urban Property Protection and Reinsurance Act of 1968, and I want to stress the critical need for the provisions of title X.

As President Johnson said in his message last February, an insurance crisis faces most of our cities. The crisis is in the lack of property insurance to the homeowner and businessman and in reinsurance to the insurance companies themselves. Owners of private and business properties in certain sections of the cities have been unable to buy necessary property insurance, like fire and extended coverage, despite the fact that their properties met underwirting standards of insurability. Location alone was the barrier to insurance. Insurance companies themselves have found it increasingly difficult to buy reinsurance against catastrophe losses from riots because of the recent history of such losses. The threat of future losses of this kind has impaired the market for reinsurance.

The problem for the property owner has been in the making for some years. Property deteriorates with age. Unless it is maintained, insurers will not write standard policies for fire and extended coverage and other lines of property coverage. As the areas of property deterioration grows, insurance companies have in the interest of economical operation, blocked out whole neighborhoods from property coverage.

Owners of well-maintained properties are denied coverage as well as others. Property deterioration and urban blight grow when owners of residential and business properties cannot finance repairs. Without property insurance to protect their interest, lenders will not extend credit. The problem of the availability of insurance thus becomes aggravated because of the importance of insurance to credit.

The other problem, the lack of availability of reinsurance to the insurance companies, was brought on by the succession of riots and civil disturbances in urban areas across the Nation. Insured property losses from catastrophe perils like hurricanes and riots are usually reinsured by private insurance organizations specializing in reinsurance. All standard lines of property insurance—fire, homeowners, and commercial multiple peril, burglary and theft, inland marine, boiler and machinery, to mention a few—usually carry extended coverage endorsements to protect the owner from catastrophe losses.

The riot losses which reinsurers have had to pay to primary insurers for the benefit of their policyholders has in recent months made them wary of writing that type of reinsurance. Without reinsurance, primary insurers cannot continue to assume the liabilities from their regular risks as well as catastrophe risks. There are few options to the primary insurers. They can refuse to write new business. They can refuse to renew old business. They can cancel old business. Indeed some companies in some areas of the country have been doing one or more of these already to protect themselves against the threat if insolvency in the event of riots involving very large losses.

Without the protection from policies in these many standard lines of property insurance, homeowners and businessmen again are confronted with a credit problem. Only here, it must be recognized that the geographic area of concern is not only the inner-city area but the whole-city area.

Title X of H.R. 17651 meets these two problems through a cooperative Federal-State-industry program. This title in effect says to the States and the private insurance industry, which is regulated by the States, that if they will cooperate in developing plans for making essential property insurance available to homeowners and businessmen, the Federal Government will offer a reinsurance program for the private insurance companies.

The plans which the State insurance commissioners and the private property insurance industry are expected to develop must meet the criteria which are spelled out in considerable detail in the title. Among the important provisions of this plan is that no insurance risk will be written at a surcharged rate or will be denied essential property insurance unless there is first an inspection of the property by an inspection facility, without cost to the owner of the property, and a determination made that the risk is not insurable at the applicable premium rate. Another provision is that in addition to an inspection facility, the statewide plan will include an all-industry placement facility to help agents and brokers place insurance up to the full insurable value of a property among companies participating in the plan.

To all insurance companies participating in these statewide plans, the Secretary of Housing and Urban Development is authorized to offer reinsurance against loss from riots and civil disorders in standard lines of property insurance. The companies would be expected to pay a premium for such reinsurance and would also be expected to assume liability for a share of the riot losses that might be incurred. The respective States would also be expected to share in the insured riot losses. The Federal Government through its reinsurance fund would be expected to assume the cost for the balance of insured losses after the private companies and the States have met their share.

If insured riot losses do not exceed the level which was incurred by private companies during the 1967 riots, the reinsurance program of the Federal Government could, with good participation by the industry, be self-supporting from premiums.

Title X is thus in several ways a cooperative effort between the Federal Government, the separate States and the insurance industry to meet and solve the insurance crisis of our cities. In meeting this challenge, the title will help meet the overall crisis in housing to which the other titles of the bill address themselves.

I strongly urge my colleagues to enact title X, and support all of the provisions of H.R. 17989.

Mr. HANNA. Mr. Chairman, I should like to speak briefly on the full scope and operation of the important legislation before the Committee today.

The problems of America's cities today are certainly among the most serious and complicated in the history of our society. The lack of everything tangible—from employment to food—and the presence of everything intangible—from apathy to rebellion—is clearly seen in every large city in this Nation. The housing and urban development bill of 1968 makes an effort to deal with these problems in a solid and constructive way by attempting to improve living conditions within the ghetto and urban areas, by attempting to give their inhabitants a material stake in the areas they now only inhabit, and thus bring a sense of concern to the city dwellers. For only when those who live in the cities care about the cities will there be any real progress in alleviating the indifference and unrest that pervades the intercity.

EARLY PROGRAMS INADEQUATE TO HOUSING NEEDS

Nearly all estimates agree that 6 million housing units must be completed in the next decade, if we are to realize progress toward the goal of providing every American family the opportunity to live in decent housing. This bill launches a far-reaching 10-year program of rehabilitation and construction of housing for low- and moderate-income families which will attain this goal. Its general aim is to provide, in the words of the Housing Act of 1949, for "a decent home and suitable living environment for every American family." Furthermore, it attempts to foster both homeownership and private participation in housing programs. It therefore places a great deal more responsibility upon the residents of the intercity. It is in this latter area that I believe the 1968 bill makes its most important contributions.

There have been other efforts in the past to improve urban housing conditions, but all have left much undone. Beginning as early as 1892 Congress authorized a study of slum conditions in urban areas. It was not until 1933, however, that any real legislation took place. At that time loans were authorized and programs begun, but little advantage was taken of the opportunities. Later in the thirties Federal aid was begun in the areas of public housing and low-rent housing, which were financed, constructed and managed by public housing authorities and rented to tenants at reduced rates. Although somewhat successful these proved inadequate.

Hence, in 1949 legislation was passed which purported to provide for a "comprehensive attack" on slums. Slum clearance and redevelopment was to be a cooperative effort by local agencies and private developers. The former would plan and purchase the necessary land and private builders would develop it.

In 1952 it was found that 6.8 million dwellings still had to be replaced or rehabilitated. Since that time there have been many programs enacted which have attempted to provide those 6.8 million dwellings. Among the most important was the 1954 Slum Clearance and Urban Renewal Act. This act began

to provide many of the ideas which are still in use today including programs of FHA mortgage insurance for loans to finance urban development, grants for long-range planning and general increase in emphasis on making private enterprise a more important part of housing programs.

Another important step forward came with the rent supplement program which was enacted in 1965. It provides payments to tenants to help pay rents to private lessors. Its theory, which is expanded in this bill, is that private housing is at least equal in importance with public housing programs, and that the two must be combined to achieve the most effective range of responses. It aims to reduce Federal involvement to that amount of assistance required to obtain private involvement—no more, no less.

In addition to these two major programs there has been a large-scale program of FHA insurance below-market loans backed by FNMA to aid low- and moderate-income families to secure adequate housing. The 1968 bill continues and enlarges this program.

Let us sum up the results of all housing programs since 1949. FHA insurance for below-market interest rate mortgages has assisted 5.3 million families. The rent supplement program has assisted 2,526 families, with funds available for about 40,000 more. The urban redevelopment programs have completed 150,000 new or rehabilitated units, and 680,000 public housing units have been provided. Finally, there has been assistance provided for some 26,500 elderly people.

Thus, since 1949 assistance has been provided for a total of over 6 million dwelling units. In other words we have in the last 20 years produced as many units of housing as this bill proposes to see created in the next 10 years. Otherwise stated, this bill seeks to establish a framework for doubling the federally assisted production of housing to meet our country's needs.

PRIVATE INVOLVEMENT STRESSED

Viewing the 1968 housing bill in an overall historic framework we note major changes from the policies begun in the thirties. These changes, which are actually extensions of some of the principles enacted in the housing bill of 1965, provide for a greater emphasis to be placed upon private and local participation with the Federal Government in connection with projected programs.

This new direction is the result of a realization that deep Government involvement in housing programs—involvement which includes planning, building, and managing—simply does not produce a sufficient quantity and quality of response.

Thus, this bill turns to private involvement in three new ways. First, it is a recognition that in the planning and building stages, if one stays within the familiar pattern of behavior of contractors and designers he will be far more successful than if he attempts to set up a new system. Operation "Turnkey" which we shall discuss later, is an outstanding example of the success that has been had in this new approach. Second, there has been a realization that homeownership is an important element in causing persons to acquire a feeling of concern about their home and neighborhood. Third, we believe that by limited subsidies—both of mortgages and rents—local, private companies can be attracted to assume primary roles in redevelopment. To encourage this kind of private involvement, the Homeownership Foundation and the national housing partnership have been provided for in this bill. These two are perhaps the most important general contributions of this bill. We shall return to them shortly.

The bill itself may be broken down into four general areas: First, insurance in urban areas; second, aids to orderly urban development; third, housing assistance for low- and moderate-income families; and, fourth, strengthening institutions which furnish conventional home finance. Let us consider each of these areas individually.

INSURANCE IN URBAN AREAS

One of the most important sections of the present bill in that which establishes the National Insurance Development Corporation. This organization would provide reinsurance for those companies which insure businesses or residences in slum areas. Due to the higher risks of insuring within a ghetto area most insurance companies are, at present, either unwilling or unable to provide such insurance. Thus, the reinsurance is particularly aimed at areas which may have been or may be torn by riot and violence. Its purpose is to provide the security necessary to encourage individuals and businesses to build or improve in the intercity.

It has been the finding of this committee that increased deterioration in ghetto areas often stems from the lack of sufficient insurance. Existing businesses are unable to obtain credit from banks or other loan agencies in order to make additions or even necessary repairs. Thus there is deterioration of present facilities. Furthermore, the inability to acquire insurance often prevents new businesses from entering the area. Because they cannot secure insurance they are unable to obtain the necessary credit and are unwilling or unable to become self-insurors. Hence there is neither influx of investment nor improvement of existing businesses. If this is allowed to continue one can only expect that deterioration will be the rule, not the exception.

In a riot-torn area the problems are compounded even further. Uninsured businesses are unable to rebuild; businessmen with some but inadequate insurance are inclined to take what little they can salvage and if possible move to another area; and new businessmen refuse to build in a place where riot may again obliterate any investment made. The riot-torn area becomes an area unable to rebuild. Its deterioration, of course, can easily spread to adjacent sections of a city and thus cause even further blight. And all this is to say nothing of the personal losses suffered by owners and residents who may have had nothing to do with a riot but who are the victims of its destruction.

Hence, the importance of insurance to slum areas and in particular to riot-torn areas, cannot be overestimated. If one goal of the present urban programs is the redevelopment and rehabilitation of the intercity, another equally important one must be the prevention of further deterioration and blight during the interim period between the planning and the execution of new programs. By providing the necessary encouragement to improve existing conditions and to bring in new investment, the National Insurance Development Corporation can help to accomplish this second goal.

THE NIDC AND FAIR PLANS

The National Insurance Development Corporation, as authorized by this bill, will act as a reinsurance corporation designed to protect participating insurance companies from sizable losses in areas torn by riot. The participating companies will pay premiums to the corporation. The corporation will then use this capital together with funds provided by the States, to supplement funds provided by the insurance companies themselves to pay claims in riot areas. Thus a particular company will be required to pay only a certain percentage—for example 10 percent—of the claims of a riot-torn area; the remaining percentage will be paid by the NIDC and the States out of their funds. There is a $150 million ceiling on the amount the Secretary of Housing and Urban Development can borrow to pay reinsurance claims.

Closely tied to the National Insurance Development Corporation is a proposal which will encourage the private property insurance industry, in cooperation with State insurance authorities, to develop statewide plans to assure all property owners fair access to property insurance. These plans would be known as fair access to insurance plans—FAIR plans—and would make the acquisition more difficult than it is in other areas. To provide that the majority of insurance companies will cooperate with these FAIR plans, the bill states that all those companies which are provided with reinsurance by the NIDC must agree to the criteria set down in the FAIR plans.

Most of these plans deal with the area of inspection of properties requesting insurance. All properties applying for insurance must be inspected by an inspection facility and determined to be an uninsurable risk before a participating company can deny them coverage. This will insure that no one is denied insurance simply on the basis of the area in which he is located. Thus, in exchange for the service of reinsurance by the NIDC, an insurance company is required to equalize its criteria for acceptance and rejection of insurance requests.

The NIDC and FAIR plans, then, will accomplish two main ends. First they will serve to secure and thereby encourage commercial investment in riot-torn areas, and second they will stimulate residential rebuilding within these blighted areas. But more than this, they will make certain of the availability of insurance in all slum areas, regardless of riot. This will encourage new investment, will permit businesses to remain in good condition or to make additions,

and will stop deterioration of large city areas.

AIDS TO ORDERLY URBAN DEVELOPMENT

In the past years there have been many projects which one might term urban redevelopment. One of the major drawbacks of these programs has been a lack of total design, a lack of a kind of overall scheme into which each program could fit, and from which each could understand its relationships to other, supposedly sister, programs. The present bill, I feel, represents an effort to try and create a "total design." It has brought to each participating program the same general goals and suggests the same general methods to be used. There has been a real attempt to eliminate duplication of efforts, and to encourage local and private participation and to start now. There is a total design for these programs, and that in itself is a great step forward from the completely independent project days of the past.

This bill expands authorization for three major urban improvement programs: The urban renewal, the mass transportation, and the model cities.

URBAN RENEWAL—THE NEIGHBORHOOD DEVELOPMENT PROGRAM

By authorizing the creation of neighborhood development program this bill has begun a new thrust in the urban renewal program. It has been found that the strong neighborhoods are the most successful in resisting deterioration and blight. This bill begins a program of working through these neighborhoods, centering more of the planning and constructing at the local level, with the aim of opening the door to more private involvement in housing programs. Instead of completely leveling a neighborhood and then beginning a full-scale housing project, thereby losing any sense of unity an area may have developed, the new bill will stress a more gradual development of a neighborhood. In this way the sense of community will hopefully be maintained and capitalized upon, while the neighborhood itself is improved.

In this vein there are several significant changes which differentiate this present urban renewal program from similar projects of the past. The first frees the flow of urban renewal funds for use on an annual basis rather than a long-term program. Under present law the execution of a loan and grant contract depends upon approval of a detailed urban renewal plan which might cover some 4 or 5 years' work. Experts feel that in many instances changing urban conditions may invalidate the plan before work is accomplished. Furthermore, an area is often left untouched while lengthy plans are being drawn up, and then is left in shambles—often for years—while building is proceeding. Under the new scheme, detailed plans could be limited to the year ahead, thus leaving greater flexibility for future work. Programs could also be opened up on a wider scale, not limited to small areas of complete renewal, and include several contiguous or noncontiguous areas. Thus it "has the advantage of utilizing urban renewal funds to meet current activities in many areas" rather than storing them for another day.

A second improvement in the urban program concerns rehabilitation. At present there is a limitation on the number of units a renewal agency can purchase and rehabilitate. This restriction would be dropped and greater emphasis placed on rehabilitation. Furthermore, there has been a change in the approach to rehabilitation. No longer will a public agency purchase a property and attempt to sell it to a bidder who would then rehabilitate it and sell it on the market. It has often been difficult to find buyers who are willing to undertake such rehabilitation, and thus the property must be scrapped. Under the new program a property would be purchased, rehabilitated by the agency subcontractors, and then sold on the market. Hopefully by these two changes, rehabilitation will be both extended and improved, and more usable units will be salvaged.

A third area of change concerns an interim program to take place during the period between the announcement of intended renewal and the commencement of that renewal. It is during this period that all improvement often stops in an area, and widespread deterioration sets in. In order to curb this deterioration Federal funds have been authorized to be used in the repair of streets, private property and playgrounds, the collection of trash and the demolition of dangerous areas. A further factor here is the intent to use the unemployed of a particular area to help during this interim period.

A fourth consequence of the present bill would require that the majority—50 pecent—of housing units in renewal areas be constructed to meet the ends of low- or moderate-income families. In addition it is suggested that the majority of renewal work and funds be spent in residential housing, thus providing decent homes for more families.

The present bill would also increase the amount of grant funds available for urban renewal by $1.4 billion on July 1, 1969. An increase of $350 million is also provided for urban renewal projects in model cities. These funds show an increased confidence in the renewal programs. I feel that the changes in the concepts of the projects—changes which give the program a more realistic approach to problems faced in developing neighborhoods—warrant this increased confidence.

MASS TRANSPORTATION AND MODEL CITIES

In two other areas of general concern to urban problems, this bill makes significant statements. In the model cities and mass transportation sections, additional funds have been appropriated to continue both research and development. For the model cities program an additional $1 billion for 1970 has been appropriated for actual programs with another $12 million for planning and research. In the transportation program there has been a new appropriation of $190 million. The fact to note here is that the committee considers both these programs worthy enough to be continued, and it considers funds appropriated for research and for present programs equally important.

ASSISTS TO LOW- AND MODERATE-INCOME FAMILIES

The third major area to which we turn concerns housing assistance for low- and moderate-income families. It has long been known that the most urgent and serious problems in our slum areas stem from the lack of decent housing for intercity residents. Many types of programs have been tried in the past, and as we have seen all have left much undone. Nonetheless, we have learned from the shortcomings of past projects, and this knowledge has been put to use in planning the new bill.

As I have already stated, the present bill attempts to emphasize two new areas of housing for individual families: homeownership and private participation. It has been found that one of the major shortcomings of the public housing programs has been that a majority of tenants do not take an interest in the residences in which they live. They feel no stake in the community. It does not belong to them, and likewise they feel that they do not belong to it. Homeownership, it is hoped, will remedy this situation. It will give to the individual homeowner a sense of concern for his home and its surrounding; it will encourage him to participate in community action which might affect his home; and it will also give him a personal satisfaction and sense of importance that can only come with owning a home.

Private participation will work toward many of the same ends. By private participation I mean programs such as the use of a private mortgage market, the use of private contractors and management, and the encouragement of private initiative in beginning and continuing housing programs. Such private initiative and involvement will shift from the Federal Government the primary burden of furnishing funds and manpower. The housing projects which have made use of private involvement in the past—projects such as Turnkey and the rent supplement program—have been the programs which have been most successful. Their success is measured not only in their material gains. Not only have they accomplished a great deal in terms of the number of homes provided, they have also instilled in builders and developers a heightened concern by making them the principle agents in the restoration of their cities.

HOMEOWNERSHIP

An important feature of the bill is that it will require far less public assistance than previous projects. Thus it appears that the homeownership program appears will be less costly and, in all probability, far more successful than past programs.

Another facet of the proposed program would be to authorize the FHA to qualify home buyers for the benefits of mortgage insurance despite financial inability of the purchaser to carry the full amount of monthly payments at the FHA established market rate of interest. In these cases the Secretary of Housing and Urban Development would be authorized to make up the deficiency through monthly mortgage assistance payments. These assistance payments

would be the difference between the monthly payment due and 20 percent of the mortgagor's income, with the limitation that in no case could the payments exceed the actual payment due and a hypothetical payment computed at an interest rate assumed to be 1 percent. To limit the program to lower income families it would be required that 80 percent of all subsidies would go to those having incomes lower than an established limit. In the computation of income a deduction of $300 would be allowed for each minor, and in the computation of assistance needed the amount would be determined from the standard of living in a particular neighborhood. Every 2 years the mortgagor's income would be checked and assistance payments adjusted if necessary; this will permit the mortgagor to assume full payments if possible, thus in the end purchasing his own home.

In addition to the subsidies there is a further effort to help those families who, because of poor credit histories, have been unable to obtain mortgage financing to purchase homes. There would be an attempt to search behind these histories and to determine whether delinquent accounts were ultimately paid, or whether extenuating circumstances were involved. In short, the committee reports that more flexible rules for FHA credit approval should be applied.

THE NATIONAL HOMEOWNERSHIP FOUNDATION

One of the most important sections of the bill is that which authorizes the creation of the National Homeownership Foundation. The purpose of this foundation is to encourage private and public organizations at the national and local levels to provide increased homeownership for low- and moderate-income families. The bill recognizes that there are many private organizations which not only wish to provide help in the housing area, but which in many ways can be far more effective than can Federal agencies. Thus, the creation of the Homeownership Foundation is a move to provide a central agency other than the Federal Government to which other organizations can turn for help. Its board of directors would be chosen from men in fields which would be of particular importance to housing problems: finance, business, organized labor, nonprofit housing agencies, and others. It would thus be in a position to be not only of financial help but also of technical assistance.

The Foundation, then, would be a nonprofit organization whose major purpose would be to provide technical and financial advice to private organizations concerned with housing problems. It would also provide short-term loans to cover the cost of preconstruction engineering, and legal and architectural expense in connection with proposed housing projects. A third area of concern would be to attempt to encourage the organizaton of additional private bodies for housing work. Loans would be available to such bodies to cover organizational expenses. Another interest of the Foundation would be the promotion of research and innovation of new ideas and techniques in the field of low-cost housing.

In all these activities the Foundation would coordinate with the Federal, State, and local programs, but would have authority to extend its power beyond the private sector. It would depend largely upon private donations but at the outset a $10 million appropriation would be authorized.

THE RENTAL PROGRAM

The rental program proposed here is a close relative, to the homeownership program in that both make use of private financing and ownership with Government subsidies, rather than providing for total public ownership. The procedure used is analogous to the homeownership program. HUD would be authorized to make, on behalf of a project owner, a substantial part of each payment due on the mortgage, thus providing for related reduction of rents. Assistance payments would again be the difference between payments due on the mortgage at FHA market rate and a hypothetical mortgage at the rate of interest assumed to be 1 percent. Rents reduced in proportion to such assistance would be considered basic rents and tenants would pay such rents or an amount equal to 25 percent of their adjusted income, whichever is greater. Again, the program would be limited primarily to lower income families, and would be reviewed every 2 years. Funds provided would be an additional $75 million in 1968, $175 million more in 1970, and $200 million more in 1971.

Public housing will also be increased under the present bill, to make up the gap left by the other programs. There are at present, or will be in the near future, a little over 730,000 public housign units. This bill would authorize the construction of some 375,000 more in the next 3 years.

However, an important shift of emphasis in the public housing program is seen on the Turnkey method of construction. Whereas under the old program a housing agency would first acquire property, have construction plans made up, and seek separate contracts with a number of firms to provide separate parts of the building, the Turnkey method does just the reverse. Private developers who own or have an option to buy land can contract to build housing on the land or rehabilitate the property for eventual sale to the agency. This means that private enterprise is being called upon to take larger and larger roles in solving urban housing problems. It also means, however, that they will be given a great deal more freedom to be imaginative and creative in design and construction. Again, there is a desire by the Federal Government to leave to private operations the functions they can best handle with autonomy. And this, perhaps, is the key idea of the entire bill.

NATIONAL HOUSING PARTNERSHIPS

One final section of this bill which serves to strengthen the Federal-private partnership we have discussed is that which provides for the creation of the national housing partnerships. These partnerships would be federally chartered, private funded corporations whose purpose it would be to mobilize private investment and application of business skills in the job of creating low and moderate housing in substantial volume. The committee report states that no single housing entity accounts for more than one-third of 1 percent of the total market. It also states that few firms operate on a national level, and that public subsidy cannot provide the amount of housing called for in the next few years. Therefore this bill creates the nationwide private organization which is now lacking. National in scope, its sole purpose would be to produce low and modrate income housing; thus it could concentrate on this one field. With nationwide market power it could overcome many of the problems inherent in volume construction and purchasing. It would act as a partner with private parties interested in providing low cost housing, and would reduce liability and expense for them. Thus it would encourage private participation in the housing field. Further, it would provide first class personnel to act as advisers to housing projects undertaken by private firms. It therefore brings together private and Federal resources to garner the most useful effects from both.

I feel it is important to reemphasize the two foundations which this bill authorizes—the Homeownership Foundation and the national housing partnerships. For in these two areas comes the major new thrust of the 1968 act. No longer are we working through a single, enormously complicated agency which cannot hope to understand or cope with the small but important problems that make every housing project different from every other. By working toward homeownership this bill immediately takes the emphasis off public housing and places it on individual families—the ones who are most concerned. And by working through partnerships which will encourage private participation in the low-income housing market, emphasis is placed upon local and individual planning and control, an approach which will reduce waste, encourage creativity and open the door to more realistic and livable communities.

ASSISTANCE TO INSTITUTIONS PROVIDING MORTGAGE FINANCING

The housing bill before us provides for the strengthening the two institutions which have been the bulwarks of the mortgage finance. The measure provides some assistance to the savings and loan industry. This institution which allocates about four-fifths of its $125 billion in savings and investments to mortgage finance has suffered badly as a consequence of tight money, a condition which has plagued, in varying degrees, our economy for the last 28 months.

Basically the bill does four things to strengthen the standing of the savings and loan industry. First, it enables savings and loans to raise capital through the use of modern instruments. Second, it authorizes savings and loans to make loans for home and equipment. Third, it empowers savings and loans to make mobile home loans. Finally it adopts the sound approach taken by the Senate in its version of the housing bill by grant-

ing very limited added powers in four other areas.

This bill also provides for a fundamental reform in the organization and structure of the Federal National Mortgage Association—FNMA. This institution has been a primary source of liquidity in the mortgage market through its important secondary market operations. However, in the last 2 years it has become apparent that FNMA's secondary market operations could not serve its two masters; the Bureau of the Budget which sought to restrict FNMA purchases of mortgages in order to hold down budget expenditures was directly at odds with the organizations and individuals who looked to FNMA to furnish them with a reliable secondary market in which they could sell their mortgages.

Title VIII of the pending housing bill would partition FNMA. The secondary market operations of the existing operation would come under a privately owned and controlled FNMA. The remaining functions would be placed under a new Government National Mortgage Association—GNMA.

The privately owned FNMA would differ from the existing organization in three important aspects:

First. Its level of purchases and expenditures would not be included in the Federal budget.

Second. It would be empowered to issue and market PC's backed by pools of Government-insured mortgages.

Third. It would be empowered to issue subordinate obligations similar to "capital notes" issued by banks in an amount equal to two times the sum of capital, surplus, and retained earnings.

These alterations would free FNMA from the restraints which have prevented fully effective operation. They will relieve FNMA's secondary market purchases from the restraint to which they, as part of the Federal budget, were subjected during times when Federal expenditures had to be cut. It is significant to note that such budget cuts were typically necessary during periods of money tightening—the very periods during which the housing and home finance industry most needed assistance.

It will also free FNMA from reliance on Treasury borrowing as the major source for financing secondary market purchases. Although the pending bill does not empower FNMA to purchase conventional mortgages, if it passes I look for a follow-up action to enable FNMA to purchase such instruments, pool them, and sell participations in them secured by a guarantee from the FNMA that the full faith and credit of the U.S. Government stands behind the payment of these obligations.

In fiscal 1966, a portion of which was during the period of utmost stress, FNMA purchased about 86,000 mortgages under its secondary market activities. If this legislation passes we estimate that in fiscal 1969 FNMA will purchase over 200,000 mortgages valued at over $3 billion.

Once this legislation is passed the only real limits on FNMA's activity will be its ability to raise money through the sale of its instrumentalities and, of course, the volume of mortgages offered it for purchase.

Mr. Chairman, the history of support in the House of Representatives for constructive and continued improvement in shelter and homeownership dictates our affirmative vote and strong support for this measure. I hope for and expect the addition of this bill as a new chapter in our history of housing.

Mr. FRIEDEL. Mr. Chairman, each of us today faces a test—a test of our true concern over the crisis that grips practically every urban area of our country. H.R. 17989 offers us a realistic set of tools for attacking the most serious problems of our cities. New programs, like homeownership, rental housing, and the housing partnership to enlist the support of the private sector give the cities new help for curing ills. Extension of recent imaginative efforts like the model cities program would continue the progress already begun.

I have followed the model cities program closely. The cities' early response and interest was encouraging. A new sense of hope, excitement and commitment is present in the 75 cities now planning model cities programs. Citizens, city governments, and private groups are planning together. For the first time, deep-seated problems like hard-core unemployment, poor education, run-down housing, and poor transportation are being considered as an entity. New relationships are being formed, a willingness to change old ways of doing business is apparent.

Today, we have the opportunity to affirm our faith in the progress that has begun with model cities. This bill would authorize $1 billion in funds for an additional year of the program, and provide $350 million in essential urban renewal funds for these cities. For the 75 cities now planning, and the others that will be chosen this year, our action today is crucial. Congress' support for the model cities program in the past has been less than adequate.

As President Johnson said in requesting model cities authorization this year:

> In the cities' struggle for survival, we dare not disappoint them again. We must demonstrate that they can rely on continued Federal support.

I ask you to demonstrate that support today by voting for this legislation. I know from personal experience how much this program will mean to my own city of Baltimore and I think it would be even better if we could expand this program.

Mr. PATMAN. Mr. Chairman, are there any other amendments to title IV? I ask unanimous consent to dispense with the reading of title V.

The CHAIRMAN. Are there further amendments to title IV?

Mr. BROCK. Mr. Chairman, I have an amendment.

Mr. PATMAN. Mr. Chairman, I move that the Committee do now rise.

The motion was agreed to.

Accordingly the Committee rose; and the Speaker having resumed the chair, Mr. PRICE of Illinois, Chairman of the Committee of the Whole House on the State of the Union, reported that that Committee, having had under consideration the bill (H.R. 17989) to assist in the provision of housing for low- and moderate-income families, and to extend and amend laws relating to housing and urban development, had come to no resolution thereon.

GENERAL LEAVE

Mr. PATMAN. Mr. Speaker, I ask unanimous consent that all Members may be allowed the privilege of revising and extending their remarks and including therein extraneous matter.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

There was no objection.

PERMISSION TO FILE CONFERENCE REPORT ON H.R. 16703, CONSTRUCTION AND MILITARY INSTALLATIONS

Mr. PRICE of Illinois. Mr. Speaker, I ask unanimous consent that the managers on the part of the House have until midnight tonight to file a conference report on H.R. 16703, to authorize certain construction at military intallations, and for other purposes.

The SPEAKER. Is there objection to the request of the gentleman from Illinois?

There was no objection.

CONFERENCE REPORT (H. REPT. No. 1658)

The committee of conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H.R. 16703) to authorize certain construction at military installations, and for other purposes, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the House recede from its disagreement to the amendment of the Senate and agree to the same with an amendment as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

"TITLE I

"SEC. 101. The Secretary of the Army may establish or develop military installations and facilities by acquiring, constructing, converting, rehabilitating, or installing permanent or temporary public works, including site preparation, appurtenances, utilities, and equipment for the following projects:

"INSIDE THE UNITED STATES

"UNITED STATES CONTINENTAL ARMY COMMAND

"(First Army)

"Fort Belvoir, Virginia: Operational and training facilities, research, development, and test facilities, and medical facilities, $2,175,000.

"Fort Dix, New Jersey: Training facilities, and utilities, $2,449,000.

"Fort Eustis, Virginia: Operational and training facilities, and troop housing, $3,312,000.

"Fort Hamilton, New York: Utilities, $160,000.

"A. P. Hill Military Reservation, Virginia: Troop housing, $501,000.

"Fort Knox, Kentucky: Research, development, and test facilities, and medical facilities, $727,000.

"Fort Lee, Virginia: Training facilities, and troop housing, $2,021,000.

"(Third Army)

"Fort Benning, Georgia: Training facilities, maintenance facilities, research, de-

DIGEST of Congressional Proceedings

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

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90th-2nd; No. 118

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HIGHLIGHTS: House received conference report on Interior appropriation bill. House committee reported co-op tax exemption bill. House passed housing bill. House Rules Committee cleared supergrades and pine-gum price support bills. Senate passed dairy indemnity bill. Senate passed wilderness bills. Senate committee voted to report farm bill. Senate committee voted to report measure to establish commission on hunger.

HOUSE

1. APPROPRIATIONS. Received the conference report on H. R. 17354, the Interior and related agencies appropriation bill (H. Rept. 1664). A table reflecting conferees' action on items relating to Forest Service is attached to this Digest.

2. HOUSING. Passed with amendment S. 3497, the housing bill (pp. H6198-302, H6197-8). Agreed to an amendment by Rep. Stephens to establish the Self-Help Housing Land Development Fund to be used as a revolving fund. Rep. Stephens stated the purpose of the amendment "is to provide some guidance through the Farmers Home Administration for the people who are planning to provide self-help housing for themselves" and the amount of money involved is $1 million for the first year, $2 million for the second year" (pp. H6223-5). A motion by Rep. Brock to recommit the bill was rejected by a vote of 217-193 (pp. H6265-6). Conferees were appointed (p. H6302). A similar bill, H. R. 17989, passed earlier with amendments by a vote of 295-114, was tabled.

3. COOPERATIVES. The Interstate and Foreign Commerce Committee reported without amendment S. 752, to amend the Interstate Commerce Act to clarify exemptions with respect to transportation performed by agricultural cooperative associations for nonmembers (H. Rept. 1667). p. H6320

4. HONEY. A subcommittee of the Agriculture Committee "considered and passed over without prejudice H. R. 16455," the honey promotion and research bill. pp. D658-9

5. INTERNATIONAL DEVELOPMENT. The Banking and Currency Committee voted to report (but did not actually report) H. R. 16775, to provide for increased participation by the U. S. in the International Development Association. p. D659

6. LANDS. The Interior and Insular Affairs Committee voted to report (but did not actually report) H. R. 4530, amended, relating to the issuance of patents for lands held under color of title to liberalize the requirements for the conveyance of the mineral estate; and H. R. 13797, amended, to authorize the sale of public land not exceeding 120 acres which contains some land which may be cultivated. p. D659

7. PERSONNEL; VEHICLES; PINE-GUM. The Rules Committee reported resolutions for the consideration of H. R. 15890, to provide for additional positions in certain executive agencies; S. 2658, relating to vehicle weight and width limitations on the Interstate System, in order to make certain increases in such limitations; and S. 2511, to maintain and improve the income of producers of crude pine gum, to stabilize production of crude pine gum. p. H6321

8. PUBLIC WORKS. The Public Works Committee voted to report (but did not actually report) S. 3710, to authorize the construction, repair, and preservation of certain public works on rivers and harbors for navigation, flood control. p. D660

9. WATERSHEDS. Received from this Department plans for works of improvement on various watershed projects; to Agriculture and Public Works Committees. p. H6320

of the General Service Administration in an amount not to exceed $14,197,000 for the construction of the Joseph H. Hirshhorn Museum and Sculpture Garden as proposed by the Senate.

JULIA BUTLER HANSEN,
MICHAEL J. KIRWAN,
JOHN O. MARSH, JR.,
JOHN J. FLYNT, JR.,
CHARLES S. JOELSON,
GEORGE MAHON,
BEN REIFEL,
JOSEPH M. McDADE,
WILLIAM H. HARRISON,
CHARLES R. JONAS,
(Except amendment No. 36),
Managers on the Part of the House.

CORRECTION OF THE RECORD

Mr. SIKES. Mr. Speaker, in the CONGRESSIONAL RECORD of Monday, July 8, the last sentence of a statement made by me on page H6110 is incorrectly recorded. I ask unanimous consent that this sentence be corrected in the permanent RECORD, as stated below:

For Inez, who has stood by me, so steadfastly and helped me so much, and for me, let me thank each of you with all sincerity, from the bottom of a grateful heart.

The SPEAKER. Is there objection to the request of the gentleman from Florida?

There was no objection.

(Mr. JACOBS asked and was given permission to address the House for 1 minute, to revise and extend his remarks, and to include extraneous matter.)

[Mr. JACOBS' remarks will appear hereafter in the Extensions of Remarks.]

BIAFRA—A HIDEOUS PROBLEM

(Mr. DOW asked and was given permission to address the House for 1 minute, and to revise and extend his remarks.)

Mr. DOW. Mr. Speaker, an immense and monstrous situation exists in Biafra, where something like 2 million people are faced with immediate starvation. This is the principal problem spot in the world today.

I have written to Secretary Rusk urging that our delegation at the U.N. seek to enlist a U.N. effort directed at preventing starvation in Biafra. It seems to me that here is a place where the Nations of both the Communist and free worlds could join together in a united endeavor to relieve this most hideous manifestation of human misery.

Such cooperation would restore the prestige of the U.N. It would prove that cooperation between the worlds is more effective than rivalry.

Were the two worlds to join in the endeavor to relieve starvation in Biafra, I believe that the technical excuses which are now offered for not helping would instantly disappear.

APPOINTMENT OF CONFEREES ON H.R. 12120, JUVENILE DELINQUENCY PREVENTION AND CONTROL ACT OF 1967

Mr. PERKINS. Mr. Speaker. I ask unanimous consent to take from the Speaker's table the bill (H.R. 12120) to assist courts, correctional systems, and community agencies to prevent, treat, and control juvenile delinquency; to support research and training efforts in the prevention, treatment, and control of juvenile delinquency, and for other purposes, with Senate amendments thereto, disagree to the Senate amendments, and request a conference with the Senate thereon.

The SPEAKER. Is there objection to the request of the gentleman from Kentucky? The Chair hears none, and appoints the following conferees: Messrs. PERKINS, PUCINSKI, BRADEMAS, CAREY, WILLIAM D. FORD, MEEDS, AYRES, ASHBROOK, QUIE, and GOODELL.

SERMON: "I CANNOT CONDONE CIVIL DISOBEDIENCE"

(Mr. JONES of Missouri asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. JONES of Missouri. Mr. Speaker, I listened to my colleague, the gentleman from Missouri [Mr. HULL] when he asked permission to extend in the RECORD a sermon delivered by Reverend Dr. Arthur C. Fulbright, pastor of the First United Methodist Church in St. Joseph, Mo., who was formerly a minister in the district that I represent. He pastored two churches there and I learned to respect Dr. Fulbright and to enjoy his sermons, expressing views with which I generally concurred.

I am urging all Members to read this sermon that Representative HULL has asked to be inserted in the RECORD today.

The text of that sermon was taken from the third chapter of Titus in which it is recorded:

Remind them to be submissive to rulers and authorities, to be obedient, to be ready for any honest work, to speak evil of no one, to avoid quarreling, to be gentle, and to show perfect courtesy toward all men.

The subject of his sermon was "I Cannot Condone Civil Disobedience." I would like to read just one short paragraph from that sermon which Dr. Fulbright delivered.

He said:

I cannot believe any person has the right to determine which civil laws he will obey and which he will not obey—even if he believes certain laws are unjust or unconstitutional!!

We need more ministers and more preachers like Dr. Fulbright who believes in law and order and who preaches it from his pulpit. He says the church is losing its tradition by thinking the Kingdom of God can come about by spreading social and economic pacification. The main purpose of the church is to try to win souls for our Lord, Jesus Christ.

More power to preachers like Dr. Fulbright.

MEMBERSHIP AND SENIORITY ON THE HOUSE COMMITTEE ON INTERNAL SECURITY

(Mr. ICHORD asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. ICHORD. Mr. Speaker, several Members have directed inquiries to me as the author of House Resolution 148, and to my office inquiring as to the effect of the resolution upon seniority and membership of the new House Committee on Internal Security, which House Resolution 148 creates. First, I would note that the procedural effects of the resolution are made very clear by section 4 of the resolution.

As to membership and seniority, these, of course, are matters to be decided by the House and the two parties respectively at the beginning of each session. This is true in the case of all committee assignments. But I do wish to make it clear that there is no intent on the part of the author to affect seniority and membership on the committee in any respect.

STRICT GUN LAWS ARE INVASION OF THE RICHTS OF SELF-PROTECTION

(Mr. CARTER asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. CARTER. Mr. Speaker, during the past 2 years terrifying riots have racked the cities of our land; and crime during the past 8 years has increased 88 percent. Lurid scenes of rioting, looting, and arson have been viewed on television screens throughout our country. Looters brazenly breaking store windows and carrying away merchandise, while police stand helplessly by, have been shown many times. As a result, fear stalks our land. The breakdown in law enforcement has become clearly evident to our citizens. Our people are convinced that protection of their persons, their property and their homes depends upon themselves. For this purpose, they have bought firearms by the hundreds of thousands during the past year.

Mr. Speaker, until we convince our people by appropriate governmental action that laws to protect people and property are going to be enforced, our citizens will view strict gun laws as an invasion of their rights of self-protection, as well as a breach of their constitutional right to "keep and bear arms."

PROTESTS DISCRIMINATION AGAINST RURAL AMERICA

(Mr. ZION asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. ZION. Mr. Speaker, I have been concerned, since the release of the Kerner Commission report, about the increasing emphasis on urban blight and the need for urban housing. I have fully concurred with many recommendations in this report, especially as they relate to the need for job opportunities and the development of job skills through which individuals and families can escape the confinement of ghetto life. But, I am more concerned over the failure of the Kerner report or any responsible Federal agency to spotlight the rising and critical problems of rural poverty and blight.

Congress is now considering a multi-billion-dollar housing and urban development bill which is preoccupied with the cities and minimizes the plight of the small community and the farm. Some time ago, in order that I might better understand the housing needs of America, I attempted to put together some information on substandard or dilapidated housing. In the course of my research I requested current statistics from the logical source, the Department of Housing and Urban Development. This agency is charged with coordinating housing efforts in our country, analyzing needs, and supplying recommendations to the Congress. Their efforts along this line are embodied in the current major omnibus housing legislation we are now considering.

I was somewhat appalled to learn that the Department's major analysis of all housing in America carried a 1960 date. The statistics of this 8-year-old report are being utilized as a basis for current proposals and current operating guidelines. It is inconceivable to me that this vital agency, the recipient of many billions of dollars of taxpayer-supplied appropriations, could not supply me with more current information. Even so, the figures were startling.

I learned, for example, that of 58 billion housing units in America, 10 million of these were considered substandard. I was even more surprised to learn that 60 percent of these substandard or dilapidated units were not part of urban blight but were located in rural America. Of these 6.3 million substandard rural housing units, 4.8 were considered nonfarm, while 1.5 million constituted occupied farm dwellings.

This problem has not changed since 1960. Although the Department cannot supply me with accurate and current figures, I suggest that the ratio of rural to urban dilapidated housing has increased. Rural poverty is on the increase, rural unemployment is mounting. Reckless and disastrous administration farm policies are closing down the small farm. Job opportunities in small communities are becoming severely limited. Private enterprise has not been furnished many incentives to locate in rural America.

In the meantime, the cost of developing better housing in America, when undertaken by the Federal bureaucracy, continues to skyrocket. Figures supplied to me by HUD itself indicate that, through June of 1944, the average cost of developing a housing unit in America was $4,649. This increased to $12,660 for units begun under the Housing Act of 1949. A total of only 685,000 units had been developed by June of this year.

Costs are skyrocketing. Results have been meager. And now, immediately following an ill-considered emergency tax increase measure which contained a promise to reduce Government spending levels, Congress is handed a superambitious housing package calling for vast expenditures and a huge expansion of the power of the Secretary of Housing and Urban Development. Rural America, which carries the bulk of America's substandard housing, will be asked to finance this further placation of the unrest and disorders that have run rampant in our major cities.

The bill does not limit itself to attacking America's housing needs. It launches a host of welfare and social service proposals formerly conceived to be in the domain of the community government and the private sector of the economy. The bill determines that families with incomes of $7,000 are entitled to housing assistance. It is even possible, under one interpretation of the language of the bill, to aid families with incomes of $10,000. The bill involves considerable competition with the private sector of the economy for financing, labor, and materials. The bill proposes to complete 6 million housing units in a fraction of the time our existing housing program has produced little over 10 percent of this figure.

The results will be chaotic. The inflationary pressures generated by this program will strike hardest at rural America. There are simply not enough tax dollars to carry out the long-range aims of this ill-devised program. It has been estimated that overall costs necessary to implement the Kerner Commission recommendations might exceed a trillion dollars. Most adding machines will not even record that many zeros.

I continue to emphasize that the solution to housing problems must lie with upgrading the lot of individual Americans. Our economy must be strengthened to meet new challenges. It must not be weakened by inflationary Federal spending programs. The full cooperation and resources of the private sector must be utilized effectively and efficiently. Job training programs must be developed under private industry's leadership. Job opportunities must be created, cataloged, publicized, and filled. Proposed administration programs offer little incentive to the individual to better his own lot. If opportunities are upgraded, families begin to prosper and can do much for themselves which the Federal Government now proposes to do for them.

(Mr. BERRY asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

[Mr. BERRY'S remarks will appear hereafter in the Extensions of Remarks.]

CALL OF THE HOUSE

Mr. WYDLER. Mr. Speaker, I make the point of order that a quorum is not present.

The SPEAKER. Evidently a quorum is not present.

Mr. ALBERT. Mr. Speaker, I move a call of the House.

A call of the House was ordered.

The Clerk called the roll, and the following Members failed to answer to their names:

[Roll No. 237]

Bell	Hansen, Idaho	MacGregor
Brademas	Hardy	Minshall
Brown, Calif.	Hawkins	Moore
Cederberg	Huil	Pickle
Cramer	Karsten	Resnick
Edwards, La.	Landrum	Rivers
Everett	Leggett	Tunney
Evins, Tenn.	McCulloch	Van Deerlin
Halleck	McMillan	Waggonner

The SPEAKER. On this rollcall, 406 Members have answered to their names, a quorum.

By unanimous consent, further proceedings under the call were dispensed with.

PERMISSION FOR COMMITTEE ON RULES TO FILE CERTAIN PRIVILEGED REPORTS

Mr. COLMER. Mr. Speaker, I ask unanimous consent that the Committee on Rules may have until midnight tonight to file certain privileged reports.

The SPEAKER. Is there objection to the request of the gentleman from Mississippi?

There was no objection.

HOUSING AND URBAN DEVELOPMENT ACT OF 1968

Mr. PATMAN. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the State of the Union for the further consideration of the bill (H.R. 17989) to assist in the provision of housing for low- and moderate-income families, and to extend and amend laws relating to housing and urban development.

The SPEAKER. The question is on the motion offered by the gentleman from Texas.

The motion was agreed to.

IN THE COMMITTEE OF THE WHOLE

Accordingly the House resolved itself into the Committee of the Whole House on the State of the Union for the further consideration of the bill H.R. 17989, with Mr. PRICE of Illinois in the chair.

The Clerk read the title of the bill.

The CHAIRMAN. Before rising on yesterday the Committee agreed that title IV, ending on page 107, line 22, of the bill would be considered as read and open to amendment at any point. Are there further amendments to title IV?

Mr. FINO. Mr. Chairman, I ask unanimous consent that we revert to title III.

The CHAIRMAN. The gentleman requests unanimous consent to revert to title III. Is there objection to the request of the gentleman from New York?

There was no objection.

AMENDMENT OFFERED BY MR. FINO

Mr. FINO. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. FINO: On page 81, line 2, delete the words "that are applicable" and substitute therefor "without regard."

Mr. FINO. Mr. Chairman, I will not take the time to go into great detail about this amendment. It is a technical and perfecting amendment. Its sole purpose is to strengthen the prevailing wage provisions applicable to the new supplemental insurance program. The new language with this technical change will make sure that the prevailing wage requirements of section 212 are not bypassed, as the old language would permit.

Mr. BARRETT. Mr. Chairman, we have no objection to the amendment and it is agreeable to this side.

The CHAIRMAN. The question is on the amendment offered by the gentleman from New York [Mr. FINO].

The amendment was agreed to.

AMENDMENT OFFERED BY MR. REUSS

Mr. REUSS. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. REUSS: On page 107, after line 22 add the following:

"RELOCATION PAYMENTS

"SEC. 415. Section 114(c) of the Housing Act of 1949 is amended—

"(1) by striking out the first sentence of paragraph (2) and inserting in lieu thereof the following: 'In addition to any amount under paragraph (1), a local public agency may pay to or on behalf of any displaced family, displaced individual sixty-two years of age or over, or displaced handicapped individual, monthly payments over a period not to exceed twenty-four months in an amount not to exceed $500 in the first twelve months and $500 in the second twelve months to assist such displaced family or individual to secure a decent, safe, and sanitary dwelling.'

"(2) by striking out 'relocation adjustment' in the second sentence of paragraph (2) and inserting in lieu thereof 'additional'.

"(3) by striking out the second proviso in paragraph (2) and inserting in lieu thereof the following: *'Provided further,* That additional payments under this pargarph may be paid on a lump sum or other than monthly basis in cases in which the small size of the payments that would otherwise be required do not warrant a number of separate payments or in other cases in which other than monthly payments are determined warranted by the Secretary: *And provided further,* That no payment received under this paragraph shall be considered as income for the purpose of determining the eligibility or the extent of eligibility of any person for assistance under the Social Security Act or any other Federal Act.'

"(4) by inserting a new paragraph (3) as follows:

"'(3) In addition to any amount under paragraph (1), a local public agency may make a payment to a displaced family or individual, who does not receive the additional payment authorized under paragraph (2) and who is the owner of real property which is acquired for a project assisted under this title and which is improved by a single- or two-family dwelling occupied by the owner for a period of not less than one year prior to the initiation of negotiations for the acquition of such property. Such payment, not to exceed $5,000, shall be an amount which, when added to the acquisition payment, equals the average price required for a decent, safe, and sanitary dwelling of modest standards adequate to size to accommodate the displaced owner, reasonably accessible to public services and places of employment and available on the private market: *Provided,* That such payment may be made only to a displaced owner who purchases and occupies a dwelling within one year subsequent to the date on which he is required to move from the dwelling acquired for the project: *Provided further,* That no such payment may be made if the owner-occupant receives a payment required by the State law of eminent domain which is determined by the Secretary to have substantially the same purpose and effect as this paragraph and to be part of the cost of the project for which Federal financial assistance is available.'."

Mr. REUSS (during the reading). Mr. Chairman, the minority has been supplied with copies of this amendment, and I ask unanimous consent that the amendment may be considered as read and printed in the RECORD.

The CHAIRMAN. Is there objection to the request of the gentleman from Wisconsin?

There was no objection.

(Mr. REUSS asked and was given permission to revise and extend his remarks.)

Mr. REUSS. Mr. Chairman, I can quickly explain this amendment. It relates to relocation payments and would do for relocation caused by urban renewal and public housing what this body and the other body did earlier this month with respect to relocation payments for relocation caused by the Federal-aid highway program.

It does this in two particulars.

For homeowners, it provides that when a homeowner is displaced by an urban renewal or public housing program, a payment of up to but not exceeding $5,000 may be made which when added to the acquisition price paid for his home equals the average price for an adequate replacement home in his community.

Its purpose is to alleviate the very real hardship suffered by lower income homeowners who are displaced as a result of acquisition activities. Frequently they are elderly or have very limited incomes, and they are unable to buy or anywhere near buy a replacement home for that from which they have been displaced.

The amendment, which has the approval of the Department of Housing and Urban Development, would permit the payment of up to $5,000 if that is what is needed to enable the person to buy a replacement home. For example, if the old home was sold or condemned for $5,000 and if a comparable replacement home costs $12,000, the one displaced would be reimbursed to the extent of an additional $5,000, so that his out-of-pocket costs would be $2,000. That is precisely what was done in the case of the highway and expressway program.

The other provision has to do with those occupants who are displaced and who are renters. The present law gives them $500 for 1 year to meet the housing payments on a new rental structure. Under the amendment they would be given $500 each year for 2 years, or an additional $500 if that is what is needed, so that when added to 20 percent of their annual income it equals the average annual rental for adequate replacement housing.

This is less generous than the provision we adopted for highway displacement, where we provided $1,500 for a 2-year period. This provides only $500 a year for 2 years, or $1,000.

The two amendments are needed to assure that the benefits provided for displaced families and individuals under HUD programs will be consistent with those to be provided under the Federal highway program.

The minority has been furnished with a copy of this amendment. I have the impression that there is no objection to it.

Mr. WIDNALL. Mr. Chairman, will the gentleman yield?

Mr. REUSS. I yield to the gentleman from New Jersey.

Mr. WIDNALL. I should like to clear the record. I believe the gentleman said that this is less generous than the Federal highway program. It is more generous than the Federal highway program, is it not?

Mr. REUSS. Would the gentleman restate the question?

Mr. WIDNALL. I believe the gentleman said the amounts involved are less generous than those given under the Federal highway program; is that true?

Mr. REUSS. That is what I said. As for homeownership they are identical, $5,000 in either case. As for rental, they are less generous, in that the highway relocation program adopted by this body and the other body earlier this month provides for $1,500 payment over a 2-year period, whereas my amendment provides for only a $1,000 relocation payment over a 2-year period.

Mr. WIDNALL. I thank the gentleman. This is satisfactory so far as the minority is concerned.

Mr. TIERNAN. Mr. Chairman, will the gentleman yield?

Mr. REUSS. I yield to the gentleman from Rhode Island.

Mr. TIERNAN. I thank the gentleman for presenting the amendment. I believe it is needed.

Mr. Chairman, I rise today in support of H.R. 17989, the Housing and Urban Development Act of 1968.

A slum has many elements, part of which is to be found in its physical appearance. Certainly this legislation before us today will not by itself solve the problem of slums in this country, but I do believe that it will assist in the effort to change our slums of despair into neighborhoods of hope.

Can we afford to offer hope in the fields of education and job opportunities and disregard the decay of spirit and life itself in the rat-infested ghetto? I think not. The problem which we are dealing with has no bounds. It is not restricted to one area or one color. It involves white people as well as black people, rural people as well as urban people.

The common characteristic of all slums is that it directly affects children more than anyone else. One-half of the poor are 21 or younger; 71 percent of all poor families have four or more children. How can we expect the youth of today to grow up respecting the law and its institutions when we seemingly disregard the jungle in which too many are forced to live? It is something to think about.

I would like to comment on a few of the excellent features of the bill. First and foremost, this bill is aimed at helping the poor to help themselves. It allows for the slum dwellers to rebuild their own neighborhood. H.R. 17989 contains provisions which call for increased employment opportunities for lower income persons in connection with these projects. The pride of accomplishment and the dignity which accompanies homeownership and its proper maintenance can eventually be transferred into a desire for accomplishment in other fields.

What we need is a renovation of slum areas, not just a removal of slum houses. But renovation all too often puts rental fees out of the reach of the poor. This is why the homeownership interest subsidies, the rental and cooperative hous-

ing interest subsidies, and the rent supplement programs which are contained in this bill are so important. What good does it do to help the poor clean up the physical aspect of their surroundings if it raises the rental fees so that the poor can no longer afford to live there? We are trying to help eliminate slums, not shuffle them around or transfer them to another neighborhood.

One of the basic goals of the Housing and Urban Development Act of 1968 is to encourage the involvement of private industries in financing the proposed housing projects. It continues the emphasis of the past few years of increased reliance on private sponsorship and the participation of private enterprises in the financing and construction of housing. The Federal Government is seen as a last resort, following private and State contributions. This puts the seat of control on the local level. By involving private and State organizations first, it is also hoped that some of the redtape and cumbersome procedural requirements will be eliminated.

H.R. 17989 also provides Federal reinsurance programs in areas affected by floods and civil disturbances. Reinsurance losses would be shared by the insurance companies, the States, and the Federal Government. First of all, this bill provides that persons with property which is uninsurable because of physical hazards would be able to receive grants to bring their property up to reasonable underwriting standards. This would encourage local firms to insure these houses. Secondly, the Secretary of the Department of Housing and Urban Development would provide reinsurance to insurance companies for losses paid by them on claims resulting from riots or other civil disorders.

I do not believe that it is fair to punish a person who lives in the only area which he can afford by refusing to insure his home and his belongings. To deprive residents of the ghettos of proper insurance for small neighborhood business firms and retail outlets will only aggravate our problem of social unrest. To also deprive those who own or occupy well-maintained homes the insurance necessary for proper coverage will invite additional disturbances and the gravest of consequences. The insurance industry, as provided in this legislation, will pay premiums into a special national fund for the purpose of reinsurance in civil disorder areas.

This bill presents Congress with the opportunity to lead and to act in solving one of the greatest social problems that has ever confronted our Nation. The reinsurance feature of this bill is a positive step forward and I urge its acceptance.

(Mr. TIERNAN asked and was given permission to revise and extend his remarks.)

The CHAIRMAN. The question is on the amendment offered by the gentleman from Wisconsin [Mr. REUSS].

The amendment was agreed to.

AMENDMENT OFFERED BY MR. WILLIAMS OF PENNSYLVANIA

Mr. WILLIAMS of Pennsylvania. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. WILLIAMS of Pennsylvania: On page 96, line 10, make the comma after "$7,600,000,000" into a period and strike everything thereafter on lines 10 and 11.

Mr. WILLIAMS of Pennsylvania. Mr. Chairman, the way the particular section reads right now is:

Section 103(b) of the Housing Act of 1949 is amended by striking out everything in the first sentence after "exceed" and inserting in lieu thereof "$7,600,000,000, —

The part which I want to delete continues—

which amount shall be increased by $1,400,000,000 on July 1, 1969".

Out of this $7.6 billion, it is my understanding that for low rental housing units only something a little more than $5 billion has been expended. That means for fiscal year 1969, the year we are in at the present time, we have over $2 billion to spend.

I believe it behooves us to take another look at this program next year before we do any appropriating of money for fiscal year 1970. The fact of the matter is that most of this $2 billion which is available for expenditure right now has been authorized for quite some time. If we had been moving ahead with the development of low rental housing units as we should have been, we would have spent more than $5 billion.

My whole point is that we have more than $2 billion to spend this fiscal year on low rent housing units. Let us take another look at this program 1 year from now, to see what kind of progress has been made by the Department of Housing and Urban Development. Let us provide some incentive for them to get the job done. If results are obtained, then we can appropriate the $1.4 billion for fiscal year 1970.

Mr. BARRETT. Mr. Chairman, I rise in opposition to the amendment.

Mr. Chairman, the full urban renewal authorization provided in this bill is urgently needed. At the present time we have a backlog of 780 applications totaling $2.2 billion for the urban renewal program. Even with the funds becoming available this year, the applications will continue to come in. Hopefully the new neighborhood development programs will enable us to take care of a larger part of the backlog, but the full amount is still needed, particularly for use in connection with the model cities program.

Mr. Chairman, an amendment like this certainly is not in the best interests of the rehabilitation of these blighted and slum areas—areas which they call ghettos. Certainly nobody in this House would favor cutting out the urban renewal program in its entirety. That is exactly what this would do. I certainly hope that the Members will realize the harm this amendment would do if it were accepted. I hope the amendment will be defeated overwhelmingly.

Mr. WILLIAMS of Pennsylvania. Mr. Chairman, will the gentleman yield?

Mr. BARRETT. Yes. I will be glad to yield.

Mr. WILLIAMS of Pennsylvania. I would like to state that my amendment does not take one penny out of the urban renewal program. You just keep the full authorization in there through fiscal year 1969. The gentleman just made the statement that HUD has a backlog of applications which when financed will require the total amount of $2.2 billion. I am saying to you that, if we have that kind of a backlog in HUD, they are not doing their job because there are over $2 billion available now to fund these urban renewal programs. That is why my amendment will not take one penny out of this program, but, rather, will provide an incentive so that HUD can get busy and do this job and not have this tremendous backlog of funds. If they do the job, then we can authorize the $1.4 billion for fiscal year 1970.

Mr. BARRETT. I want to say this to the gentleman: I certainly respect him; he comes from the great State of Pennsylvania, but I do think that we should look into these amendments. The $200 million that the gentleman is speaking about is already committed. You would delay these programs no end. We are hopeful that we can move these programs along expeditiously. The longer you delay them the more costly they get.

Mr. ASHLEY. Mr. Chairman, will the gentleman yield?

Mr. BARRETT. I yield to the gentleman from Ohio.

Mr. ASHLEY. I would like to ask the gentleman a question. We have had in the last day or so all kinds of statements about hopes, aspirations, and the necessity of not exciting false expectations. What does the gentleman's amendment do? Does it not in effect say to the cities, "Yes, we have authorized the model cities program, we have authorized urban renewal, but do not look too far ahead, do not look to or plan for 1970, because, as a matter of fact, the action taken by the House has eliminated $500 million for model cities in 1970?" How are they supposed to take this kind of action? Are they meant to have confidence in the Federal establishment for the ongoing model cities program and are they supposed to use their planning abilities for urban renewal when we take this kind of action as proposed by the amendment of the gentleman? I just do not understand it.

Mr. WILLIAMS of Pennsylvania. Will the gentleman yield?

Mr. BARRETT. Of course; I yield to the gentleman.

Mr. WILLIAMS of Pennsylvania. I believe you know as well as I do that not one grant has been made under model cities or demonstration cities for other than planning purposes. Now, the amendment that I am proposing does not take one penny out of this program. This bill calls for $7.6 billion to be spent through fiscal year 1969. I am saying let us authorize that. Fine. Let us appropriate it, also. All I am saying is that HUD has had over $2 billion unexpended for the purposes for which Congress authorized this money. I am saying to you we have an agency that cannot move ahead with urban renewal. If they cannot move ahead with demonstration cities, let us give them something that

will give them an incentive and which will produce results.

Mr. ASHLEY. The gentleman wants to be fair, I am sure, but——

The CHAIRMAN. The time of the gentleman from Pennsylvania has expired.

Mr. WIDNALL. Mr. Chairman, I move to strike the requisite number of words.

(Mr. WIDNALL asked and was given permission to revise and extend his remarks.)

Mr. WIDNALL. Mr. Chariman, I shall not consume the entire 5 minutes. However, before we close the debate on title IV of the bill I would like to have the attention of the subcommittee chairman, the gentleman from Pennsylvania [Mr. BARRETT], and if possible the attention of the gentleman from Wisconsin [Mr. REUSS], as well as the gentleman from Tennessee [Mr. BROCK].

Mr. Chairman, one of the most far-reaching provisions is contained in section 413, a section that deals with low- and moderate-income housing in residential urban renewal areas.

Section 413 amends and, in effect, repeals section 105(f) that the House enacted in 1949 to provide that, of the total number of housing units provided in all of the approved urban renewal projects in any community which are to be redeveloped for predominantly residential uses, a majority must be standard housing units for low- and moderate-income families or individuals with at least 20 percent of such total number being for low-income families or individuals only.

Mr. Chairman, I would like to establish a little legislative history on this very important section of the bill.

Would the gentleman from Wisconsin [Mr. REUSS] and the gentleman from Tennessee [Mr. BROCK] who worked with me on this section, agree that section 413 represents the clear and unmistakeable intent of the committee to insist that hereafter far more low- and moderate-cost housing be produced in residential urban renewal areas than has been the experience to date.

Mr. BROCK. Mr. Chairman, if the gentleman will yield, I would like to say that in my opinion that is my understanding of the matter as it was considered in the committee.

Mr. REUSS. Mr. Chairman, will the gentleman yield?

Mr. WIDNALL. I yield to the gentleman from Wisconsin.

Mr. REUSS. I, too, absolutely confirm the interpretation of the gentleman from New Jersey, and commend him on his initiative in getting this very clear provision in the statute, so that the Department of Housing and Urban Development may have no misapprehensions about it.

Mr. WIDNALL. Would the gentleman from Pennsylvania, the distinguished chairman of the Housing Subcommittee, agree that with enactment of section 413 the Congress will be on record that future residential urban renewal projects must concentrate on producing low- and moderate-cost housing, as opposed to continued concentration on high-income residential luxury high-rise apartments?

Does the gentleman from Pennsylvania agree on that?

Mr. BARRETT. Yes, I do.

Mr. WIDNALL. Does the gentleman from Wisconsin agree that section 413 further represents the disappointment of the committee in the administration and administrative definition of the word "substantial" in my amendment 2 years ago, where "substantial" was defined as being as little as 20 percent?

Mr. REUSS. I would agree with the gentleman.

Mr. WIDNALL. Does the gentleman from Pennsylvania agree to that?

Mr. BARRETT. Yes.

Mr. WIDNALL. Would the gentleman from Pennsylvania, the distinguished chairman of the Housing Subcommittee, agree that with enactment of section 413 the Congress will be on record that future residential urban renewal projects must concentrate on producing low- and moderate-income cost housing, as opposed to continued concentration on high-income residential luxury high-rise apartments?

Mr. BARRETT. I certainly agree with the gentleman from New Jersey on that, and I want to say this also. I want to say there has been no harder worker to achieve this goal than the distinguished gentleman from New Jersey. The gentleman has worked exhaustively for years on this bill, hoping to get a number of the houses in the urban areas for the low- and moderate-income families, and still accomplish this objective, that the majority of the housing should go to the low- and moderate-income families. He has established that 20 percent of this money would go to the low-income families. I think the gentleman has done a good job along this line and it is my opinion that we have worked harmoniously in this committee to accomplish this purpose.

Mr. WIDNALL. Mr. Chairman, would the chairman of the subcommittee agree that, based on past experience, the Congress and particularly our committee, should be supplied with annual reports on the experience and implementation of section 413 and given that assurance I shall not have to offer an amendment to section 413 along those lines before we finish work on title IV?

Mr. BARRETT. Mr. Chairman, I agree with the gentleman.

Mr. WILLIAMS of Pennsylvania. Mr. Chairman, will the gentleman yield?

Mr. WIDNALL. I yield to the gentleman from Pennsylvania.

Mr. WILLIAMS of Pennsylvania. I certainly believe that the distinguished gentleman from New Jersey has made some very valid points, but the very fact that a request has to be made for updated information in order to determine whether or not Housing and Urban Development is living up to the intent of Congress bears out my contention that since HUD has over $2 billion to spend for the very purposes we are talking about here, during fiscal 1969, that we should certainly defer the 1970 authorization until we receive the necessary reports to see whether or not they are doing the job.

The CHAIRMAN. The time of the gentleman from New Jersey has expired.

The question is on the amendment offered by the gentleman from Pennsylvania [Mr. WILLIAMS].

The question was taken; and the Chair announced that the noes appeared to have it.

Mr. WILLIAMS of Pennsylvania. Mr. Chairman, I demand tellers.

Tellers were refused.

So the amendment was rejected.

The CHAIRMAN. Are there further amendments to title IV?

AMENDMENT OFFERED BY MR. BROCK

Mr. BROCK. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. BROCK: On page 101, beginning in line 24, strike out "for each fiscal year such amounts as may be necessary" and insert in lieu thereof "not to exceed $100,000,000 for each fiscal year."

(Mr. BROCK asked and was given permission to revise and extend his remarks.)

Mr. BROCK. Mr. Chairman, the language in this bill represents one of the real problems that this Congress faces in its continuing desire to accept its responsibilities as a legislative body, because we are authorizing in the language, as it is written, the appropriation of "such amounts as may be necessary."

I would like to find out how much money that is. I do not believe any Member of this body can give me an accurate figure, nor do I believe any House of Representatives can live up to its responsibilities by making such an open-end authorization.

Therefore I am suggesting that we put a specific dollar limit of $100 million on this program on an annual basis for rehabilitation loans.

Specifically, in this particular section it allows the Secretary, after he has gone in and found that a particular home can receive a grant of $3,000, if that is not enough money, he can make an additional loan of up to $10,000 for a private home.

Mr. Chairman, I do believe that there should be some limit on the quantity of Federal funds that we involve in this particular program, and I very simply suggest a $100 million ceiling.

Mr. Chairman, I yield back the balance of my time.

Mr. PATMAN. Mr. Chairman, I rise in opposition to the amendment.

Mr. Chairman, the gentleman from Tennessee, a very distinguished and able member of our committee—and we appreciate his services—presented this amendment to the Banking and Currency Committee, and we considered it thoroughly and defeated the amendment because we did not think it was in the public interest.

We have four Members opposing this bill in committee, and two of those Members are taking up a lot of time now going over the same things that they did in the committee—which is perfectly all right—they have a right to do that and their views are entitled to be heard and this House should consider it.

But I just want to say I feel like those who are opposed to the bill anyway and who are trying to defeat it will possibly be in the position of wanting to weaken

the bill if they cannot defeat the purpose of it and we will have many efforts made to weaken this bill and to make it ineffective.

Mr. Chairman, this is a good housing bill. If we are for shelter in this country—shelter is just as important as food and clothing and for family life it is very, very important.

In order to have shelter in this bill for the people who are entitled to decent housing, this bill is absolutely necessary and any time we begin to weaken it here and there and in other ways, we are just making it impossible for the administrator of this good law, if it were to become a law, to do a good job and provide housing for the people who are entitled to decent housing in the United States.

I do not say that we should not consider everything that the opponents of the housing legislation claim or contend. But I think it is well to remember that the surgeon who wields a knife should want the patient to live. We have some surgeons on this bill who are attempting to wield the knife but who do not want the patient to live.

I just hope that the House will keep in mind and consider that the committee has done a hard job on this bill. They have worked over a period of weeks—a period of months. The gentleman from Pennsylvania, the distinguished gentleman [Mr. BARRETT], chairman of the Housing Subcommittee of the Committee on Banking and Currency, had hearings lasting weeks—4 weeks. Then after that the full committee had hearings as we normally do on a bill of this importance, and we had 14 long days and we discussed every part of this bill, every paragraph, every comma, every semicolon and every period. We went over it thoroughly.

I just regret very much that those who are opposed to the housing bill and who are opposed to housing legislation continue to delay the passage of this bill which is so vital and so important to our economy at this particular time.

Mr. BROCK. Mr. Chairman, will the gentleman yield?

Mr. PATMAN. I yield to the gentleman.

Mr. BROCK. I just would like to ask the chairman of the committee how much money was spent in the past on this particular program?

Mr. PATMAN. I do not have those figures, but if the gentleman has them, I will accept it.

Mr. BROCK. If I am correct, I believe it is less than $50 million.

Mr. PATMAN. Well, anyway, this is just a matter of writing restrictions and limitations that are not necessary. In other words, we are giving a good program to the administrator but we would be hog-tying him all the way through.

Mr. BROCK. If the gentleman will yield further, if that philosophy were to apply, then what reason is there for our existence as a legislative body? Why do we not just turn over our functions to the Executive and he can get rid of the taxpayers' money?

Mr. PATMAN. No, there were only four Members who opposed this bill, and you happen to be one of them.

Mr. BROCK. Yes, I am opposed to this bill and this section illustrates one basic reason.

Mr. WILLIAMS of Pennsylvania. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, I would like to say to the distinguished chairman of the Committee on Banking and Currency, the gentleman from Texas, that he certainly is entitled to his opinion.

Yesterday I was quite amazed to hear some of the intemperate remarks made about the State of Tennessee.

I was very much surprised this afternoon to hear the distinguished gentleman from Tennessee [Mr. BROCK] being described as someone who is trying to kill this bill. In the year and a half that I have had the pleasure of serving on the Banking and Currency Committee I think that Mr. BROCK has made some very fine contributions to all the bills and all the measures that have been considered by that committee. I do want to say that the only thing Mr. BROCK's amendment does is place a ceiling on expenditures. On many occasions this Congress has indicated clearly that they are against open-ended expenditures without any ceiling or any limitation. I think the only logical thing to do is to adopt Mr. BROCK's amendment.

We have already heard testimony on this same program that we have been spending only $50 million a year. The amendment would permit $100 million a year to be spent, or double the outlay. I think it is a very good amendment.

AMENDMENT OFFERED BY MR. ST GERMAIN TO THE AMENDMENT OFFERED BY MR. BROCK

Mr. ST GERMAIN. Mr. Chairman, I offer an amendment to the amendment offered by the gentleman from Tennessee [Mr. BROCK].

The Clerk read as follows:

Amendment offered by Mr. ST GERMAIN to the amendment offered by Mr. BROCK: Substitute the figure of "$150 million" for "$100 million."

The CHAIRMAN. The gentleman from Rhode Island is recognized.

Mr. ST GERMAIN. Mr. Chairman, in the present legislation we are expanding the scope of loans as well as grants, and, as has been pointed out in the debate on the amendment, $150 million would seem adequate at the present time in view of the amounts that have been utilized up to the present time. Nevertheless, this is a 4-year situation. There are those of us on the committee who feel that we would no doubt require a change within the next few years if we would go to $100 million, and I am asking the gentleman from Tennessee if he would at this time agree to the $150 million figure.

Mr. BROCK. Mr. Chairman, will the gentleman yield?

Mr. ST GERMAIN. I yield to the gentleman from Tennessee.

Mr. BROCK. I would like to point out that this is a revolving fund made available to the Secretary for use at his discretion, and a 4-year input of $150 million a year amounts to $600 million. It seems to me that that is, given the present level of program development and the present capacity of HUD to administer this program, considerably in excess of need. I wonder why the $100 million is not acceptable on the simple premise that it is certainly more than adequate for this year and the following year.

If 2 years hence this program comes up for renewal and we see an additional need, we could at that time provide what is needed. I wonder why we need to put $150 million in the bill when there is no obvious or current need. There is no stated need, according to the Secretary.

Mr. ST GERMAIN. I think the need is obvious. The need is apparent. If this legislation goes forawrd as we hope it will, we will be expanding our activities, and certainly I think the gentleman would agree with me that this in actuality is the best program we have and one of the most beneficial ones because it will avoid the necessity for replacing a great many homes in the future.

Certainly, as opposed to an open end as written—"such sums as may be required"—we are putting a ceiling on. If it is not used, fine. But if it is needed, let us have it ready and waiting for this purpose.

Mr. BROCK. If the gentleman will yield further, I am very grateful for his endorsement of the concept, and I appreciate that very much. I simply question whether or not we need to put this amount of money in at the present time, but, if $150 million is the best I can get in opposition to the very open end appropriation, obviously I would prefer some limit. I appreciate the gentleman's suggestion on that very much.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Rhode Island [Mr. ST GERMAIN] to the amendment offered by the gentleman from Tennessee [Mr. BROCK].

The amendment to the amendment was agreed to.

(Mr. GROSS asked and was given permission to revise and extend his remarks.)

Mr. GROSS. Mr. Chairman, I would like to address a question to the distinguished gentleman from Tennessee with respect to the cost of this bill. Yesterday, the gentleman from North Carolina [Mr. JONAS] projected a 40-year cost of, I believe, $50 billion. What is the immediate fiscal year cost of this bill? I do not seem to be able to find it in the report.

Mr. BROCK. Mr. Chairman, we have a total authorization in the bill of $6,400,000,000, and the budget estimate for 1969 is $900 million in authority. To be perfectly honest, I cannot answer the question of the gentleman, because the bill is very loose. I do not know if there is any way to give the gentleman a specific figure with the bill as written.

Mr. GROSS. Is that because this is an open end, come-and-get-it bill?

Mr. BROCK. There is a great deal of open end in the bill, and there is also a question as to when the money is going to be spent, and the number of years for which we are obligating ourselves in the various contract authorizations.

Mr. GROSS. This huge expenditure will entail the employment of additional personnel, I assume?

Mr. BROCK. There is no question about that, and as a matter of fact, in the bill itself there is a provision for additional employees for the Secretary.

Mr. GROSS. I thank the gentleman for his response. I was afraid that would be the answer I would get, that no one seems to know what the cost of this monstrosity is going to be. And that is not to reflect

on the gentleman from Tennessee, who has been doing yoeman work in trying to put some sanity in this bill.

Mr. PATMAN. Mr. Chairman, will the gentleman yield?

Mr. GROSS. Mr. Chairman, I am certainly going to yield to the gentleman from Texas in just a minute; but first I want to point out that yesterday I raised some question about the defective nature of the report that accompanies this bill. If the gentleman will wait just a minute, he will get his chance to answer.

The gentleman ought to be aware of Public Law 801 from which I will quote briefly. Section 11 of Public Law 801 says:

Each report, recommendation, or other communication, of an official nature, of any department, agency, or independent establishment of the executive branch of the Federal Government (including any corporation wholly owned by the United States) which—

"(1) relates to pending or proposed legislation which, if enacted, will entail an estimated annual expenditure of appropriated funds in excess of $1,000,000 * * *

shall contain a statement, with respect to such department, agency, independent establishment, or corporation, for each of the first five fiscal years during which each such additional or expanded function, activity, or authority so proposed or recommended is to be in effect, disclosing the following information:

"(A) the estimated maximum additional—

"(i) man-years of civilian employment, by general categories of positions,

"(ii) expenditures for personal services, and

"(iii) expenditures for all purposes other than personal services * * *

I have read this report to the best of my ability, and I find not one scintilla of evidence that the Banking and Currency Committee made the slightest effort to conform to the requirements of Public Law 801. If there is any such evidence in the report, will the gentleman please point it out to me? The gentleman now has his opportunity to do it.

Mr. PATMAN. Mr. Chairman, I thank the gentleman very much. I cannot tell the gentleman anything he does not know, because the gentleman is a very able Member of this House and well informed.

Mr. GROSS. Mr. Chairman, I thank the gentleman.

Mr. PATMAN. That is the truth. But now remember, on this bill the House has plenty of protection in this for the reason that this is not appropriating money, as the gentleman knows. It is not appropriating money. Not a dollar of money can be spent when this bill is passed by reason of the passage of this bill.

It will require an appropriation by the Committee on Appropriations. The Committee on Appropriations will take it up.

Mr. GROSS. Let me interrupt the gentleman right there to read the first sentence of Public Law 801, section 11: "Each report, recommendation, or other communication, of an official nature, of any department, agency, or independent establishment of the executive branch of the Federal Government," and so forth.

Where in the committee report is there any report or communication from the executive branch of Government?

Mr. PATMAN. The point is we are merely authorizing the appropriation. The Appropriations Committee will have hearings, and it will determine the need and the desirability.

The CHAIRMAN. The time of the gentleman from Iowa has expired.

(By unanimous consent, Mr. GROSS was allowed to proceed for 3 additional minutes.)

Mr. GROSS. I do not seem to be able to get through to the gentleman that the agencies downtown are mandated by law to provide him with an estimate of manpower needs, but no such estimate from any agency or Department of Government is provided in the report.

Mr. PATMAN. Since you are not willing to be patient enough for me to give you a full answer, I will give you a brief answer.

Mr. GROSS. That will be the day, when you give me a brief answer.

Mr. PATMAN. You are a Member of the House of Representatives here, right here and now, and you are protected. If that report is not correct, you can make a point of order on this whole bill and send it back to the committee. The Ramseyer rule is a very fair rule.

Mr. GROSS. Does the gentleman remember that he went to the Rules Committee and got points of order waived for the consideration of this bill? What are you talking about?

Mr. PATMAN. Of course, that would be if we did not have the points of order waived. We had the points of order waived for the reason that oftentimes, in 180 pages of an Ramseyer rule presentation, there might be a period left out, or a comma, or a word misspelled or something like that and, of course, a point of order should not prevail. There is too much of a risk on a 340-page bill, including 180 pages of the Ramseyer rule.

Mr. GROSS. You had points of order waived on this bill because, among other things, you knew you were not conforming to Public Law 801.

Mr. PATMAN. No, we did not have that in mind.

Mr. GROSS. Just a minute. You received a communication from the chairman of the Manpower Subcommittee of the Post Office and Civil Service Committee last November reminding you that there is in existence Public Law 801, and you paid not the slightest attention to the fact that there is such a statute.

Mr. PATMAN. That is the first information I have had that he communicated with me. I have no recollection of it. If he did, I certainly did not receive it.

Mr. GROSS. It is convenient to forget somethings.

Mr. PATMAN. This House is protected, because the appropriation has yet to be made.

Mr. GROSS. This is not confined to appropriations. This says "each report," and pertains to any bill involving an expenditure of more than $1,000,000. It absolutely is not limited to appropriation bills.

Mr. O'HARA of Michigan. Mr. Chairman, will the gentleman yield?

Mr. GROSS. I yield to the gentleman from Michigan.

Mr. O'HARA of Michigan. The gentleman does not contend that Public Law 801 prevents the House from considering a bill the report on which does not contain the information referred to in Public Law 801?

Mr. GROSS. Certainly a point of order could have been lodged against the consideration of the bill if the chairman had not gone to the Rules Committee and gotten all points of order waived. Of course any Member could have made a point of order in the absence of that rule.

Mr. PATMAN. The gentleman wants the House to pass the bill, I assume. If he does, why noto expedite the bill?

Mr. GROSS. No; I do not want this monstrosity. But that is beside the point.

I say to you that you deliberately went before the Rules Committee to get points of order waived for this and other reasons.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Tennessee [Mr. BROCK], as amended.

The question was taken; and on a division (demanded by Mr. BROCK) there were—ayes 48, noes 34.

So the amendment was agreed to.

AMENDMENT OFFERED BY MR. BROCK

Mr. BROCK. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. BROCK. On page 104, after line 13, add the following new subsection:

"(e) Section 312(a) of such Act (as amended by the preceding provisions of this section) is amended by adding at the end thereof the following new sentence: 'Notwithstanding the preceding provisions of this subsection, no loan shall be made under this section to any person whose annual income, as determined pursuant to criteria and procedures established by the Secretary, exceeds $7,500.'"

Mr. BROCK. Mr. Chairman, I can explain this very briefly. Yesterday this body put a ceiling on the amount of income that people could have in order to receive help under the homeownership program and the rent supplement program of 130 percent of the level, in the given area, of low-income housing or public housing. This particular section deals with a rehabilitation program which has done in some areas a great deal of good. It works like this: If an area is defined by the Secretary as being qualified, an individual in that area can receive a $3,000 grant to rehabilitate his home. If that is not adequate and if he is qualified, he can receive up to a $10,000 loan.

The problem is that this bill places no strictures on the Secretary whatsoever in granting a loan. He can define a geographical area and give loans to virtually everybody in that area. I would suggest again, in the interests of rifle shooting this bill into the area of need, into the low-income families, that we need to preclude high-income participation, just to require and enforce the intent of this body that the bill be designed to benefit those who need the help.

Mr. PATMAN. Mr. Chairman, will the gentleman yield

Mr. BROCK. Yes. I am glad to yield to the chairman.

Mr. PATMAN. I am in sympathy with what the gentleman has in mind, but I can conceive of cases of extra large families in high-priced, high-rent, and high-ownership districts where it is possible it could be more than that. Why not leave things like that again to the administrator? You just cannot put all of these restrictions and limitations in this bill and have a law that can be enforced equally and justly. Do you not think that is something that should certainly be in the hands of the administrator and not have us require him to engage in a lot of redtape?

Mr. BROCK. I am sympathetic with the chairman's point of view and hesitate to remind him of the performance, or the lack of it, of the Secretary in the last several years. This Congress, as was pointed out yesterday, year after year has imposed restrictions on the Secretary to force him to put money through urban renewal and other programs into the low-income areas. He has consistently refused to accept the leadership or the instructions of the Congress.

Mr. PATMAN. Mr. Chairman, in the interest of trying to get through today, I am willing to accept this amendment and let it go to conference.

Mr. BROCK. The chairman is very gracious, and I yield back the balance of my time.

Mr. OTTINGER. Mr. Chairman, I move to strike the last word.

Mr. Chairman, I would like to ask the chairman of the committee a question with respect to the last amendment. Do these rehabilitation loans go to the tenants or the landlords?

Mr. PATMAN. Mr. Chairman, will the gentleman yield?

Mr. OTTINGER. I yield to the gentleman.

Mr. PATMAN. I do not know about that. That is not involved in this. Obviously it has to go to the landlord.

Mr. OTTINGER. Therefore, a restriction on the landlord does not make much sense.

Mr. PATMAN. Anyway, we will put this together in conference.

Mr. OTTINGER. I think that we should oppose the amendment.

Mr. WIDNALL. Mr. Chairman, I move to strike the requisite numer of words.

(Mr. WIDNALL asked and was given permission to revise and extend his remarks.)

Mr. WIDNALL. Mr. Chairman, I rise in support of the amendment offered by the gentleman from Tennessee.

As the original author of section 312, rehabilitation loans, I can say without hesitation that the program never was intended to supply loan capital to those who otherwise could well afford to borrow money through normal commercial lending channels. On page 155 of the printed hearings on this year's bill, I inserted a letter dated October 25, 1967, to me from the deputy coordinator from the city of Philadelphia. The letter stated:

I have checked the key paragraphs concerning the definition of persons eligible to receive direct loans under Section 312 of the Housing Act of 1964. You will note that the change in policy which permits the extension of these loans to any one unable to procure such a loan on the private market at comparable terms (i.e., 3%) was not a matter of administrative policy. It was rather the result of a change in the legislation passed in 1965. The directive letter makes it very clear, however, that on this basis the direct loans *will be made available to anyone within the area, without regard to income.*

The letter further stated:

These loans are now available to investor owners of residential properties who are non residents and to the owners of commercial property. For non residential rehabilitation, the loans can go up as high as $50,000.

Secretary Weaver when asked for the charteristics of section 312 rehabilitation loans, indicated that through January 31, 1968, there were 2,948 loans on residential properties totaling $15,704,850 for the rehabilitation of 4,667 dwelling units. A sample group of 361 loans indicated that the annual income of recipients of these loans in nearly half the cases exceeded $7,500.

While I continue to strongly believe in the purposes of the program—namely, to upgrade existing residential structures in urban renewal or code enforcement areas, I certainly agree that an effort should be made to insure that some limit be placed on the income of the recipients of these subsidized loans. I think $7,500 per year is a fair figure and one that the House should adopt.

I urge support for the Brock amendment.

Mr. PATMAN. Mr. Chairman, will the gentleman yield?

Mr. WIDNALL. I yield to the gentleman from Texas.

Mr. PATMAN. The gentleman from New Jersey is in sympathy with the amount of $7,500. I am in sympathy with it too. We went up to these limits in order to provide for such conditions where they are absolutely necessary. I can conceive of exceptional cases where it would be necessary, possibly. That is the only reason I have suggested that the administration pass upon it and I respectfully request the distinguished gentleman from New Jersey [Mr. WIDNALL] to help us with this amendment.

Mr. OTTINGER. Mr. Chairman, will the gentleman yield?

Mr. WIDNALL. I yield to the gentleman from New York.

(Mr. OTTINGER asked and was given permission to revise and extend his remarks.)

Mr. OTTINGER. Mr. Chairman, I have the highest respect for the ranking minority member on the Committee on Banking and Currency but we just do not understand this. The recipients of these loans would be some housing corporation or some individual or landlord who because of economic conditions or because of his recalcitrance to rehabilitate these housing units, did not perform those duties. I do not see the connection between the income level and what we are trying to do here. The people who can well afford to assume the existing obligation are people whose income is such that they really should not participate in this type of operation at all.

Mr. BARRETT. I think this side has agreed to adopt the amendment and I hope the House will accept it.

AMENDMENT OFFERED BY MR. REUSS TO THE AMENDMENT OFFERED BY MR. BROCK

Mr. REUSS. Mr. Chairman, I offer an amendment to the amendment offered by the gentleman from Tennessee.

The Clerk read as follows:

Amendment offered by Mr. REUSS to the amendment offered by Mr. BROCK: Strike out "$7,500" and insert: "the limits prescribed by the Secretary for occupants of projects financed with below-market interest-rate mortgages involved (in the area involved) under section 221(d) of the National Housing Act".

Mr. REUSS. Mr. Chairman, I can explain my amendment to the Brock amendment briefly—and I may say that I have just shown it to Mr. BROCK, and I believe it is satisfactory to the gentleman from Tennessee [Mr. BROCK].

The original Brock amendment of a $7,500 limitation is a step in the right direction—there should be some limit on these 3-percent loans with regard to the income of the person who receives them. But $7,500 is an inflexible figure, inflexible in terms of costs and inflexible in terms of regions of the country.

The amendment which I have just offered to the Brock amendment would use the existing section 221(d)(3) limits, which are also related to a 3-percent subsidy. It enables the Administrator to exercise some regional discretion.

Mr. BROCK. Mr. Chairman, will the gentleman yield?

Mr. REUSS. I yield to the gentleman from Tennessee.

Mr. BROCK. Mr. Chairman, I thank the gentleman for yielding.

I would like to point out that I believe his amendment is constructive in that it does put specific income ceilings in, and it also allows the flexibility as to areas and various interest costs. I am happy to accept the amendment to my amendment. In many cases the amendment would result in less than $7,500, and in other areas it could be more than $7,500. I believe this is a reasonable solution.

Mr. REUSS. I thank the gentleman from Tennessee.

Mr. Chairman, I intend to vote for my amendment, and if my amendment is adopted then I will vote for the Brock amendment as amended.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Wisconsin [Mr. REUSS] to the amendment offered by the gentleman from Tennessee [Mr. BROCK].

The amendment to the amendment was agreed to.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Tennessee, as amended.

The amendment was agreed to.

The CHAIRMAN. Are there any further amendments to title IV?

AMENDMENT OFFERED BY MR. WILLIAMS OF PENNSYLVANIA

Mr. WILLIAMS of Pennsylvania. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. WILLIAMS of Pennsylvania: Strike all of the "INTERIM ASSISTANCE FOR BLIGHTED AREAS" from line 7 on page 105 through line 2 on page 107.

Mr. WILLIAMS of Pennsylvania. Mr. Chairman, I would like to call the attention of the Members, of course, to the

fact that this section deals with the low rental housing units. Here on page 105 the statement is made:

Notwithstanding any other provision of this title, the Secretary is authorized to enter into contracts (in an aggregate amount not to exceed $40,000,000 in any fiscal year)—

For the following purposes—and let me read to the Members these purposes:

The repair of streets, sidewalks, parks, playgrounds, publicly owned utilities and public buildings, and then it goes on to permit the establishment of temporary public playgrounds, the improvement of garbage and trash collection, street cleaning, and similar activities.

Mr. Chairman, I submit to you that everyone of the purposes for which this $40 million can be used is a direct responsibility of local government.

In virtually every municipality in this country the property owner is required to maintain the sidewalks. If the property owner does not do it, the municipal government does it and liens the property.

Furthermore, the maintenance of streets, parks, playgrounds, public utilities, and public buildings as well as the collection of trash and garbage and street cleaning are all functions of the local government.

If we appropriate this $40 million to be used for this purpose, all we are doing is encouraging inefficiency on the part of the local government or the municipal government. If they do not do the job that they are supposed to do and if they fail to meet their responsibility, then they are going to be coming here to the Federal Government asking for grants and I do not believe that this is the sort of thing that should be encouraged.

I think any money we have could much better be used for low rental housing units rather than to encourage inefficiency on the part of the municipal governments.

Mr. BARRETT. Mr. Chairman, I rise in opposition to the amendment.

Mr. Chairman, this amendment was defeated in the full committee.

This section of the bill was accepted in the Housing Subcommittee.

I do not think the gentleman really understands the benefit of this section known as the Interim Assistance for Blighted Areas. This section would authorize the Secretary to contract to make grants aggregating up to $40 million a year to cities or counties to assist them in taking interim steps to alleviate harmful conditions in slums or blighted areas of communities which are planned for substantial clearance, rehabilitation or federally assisted code enforcement in the near future, but which need some immediate public action until permanent action can be taken.

Mr. Chairman, this section, for example, would do away with the rat infested areas and do away with rat harborages.

We explained this to the gentleman in the subcommittee. It would rehabilitate the blighted areas to the extent that it would influence people who are living either contiguous or reasonably contiguous thereto from moving away from this area—thinking that this area is going to become a slum area. Rehabilitating the area through this approach would keep those people who are living contiguous or reasonably contiguous thereto, and would encourage them to rebuild and rehabilitate their homes in the areas in which they live.

This in the long run would save many, many dollars for the American taxpayers.

Mr. Chairman, this is the reason for this section of the bill, and I certainly think the Members of the House should sustain this section of the bill and so bring about a lesser expense in the future.

Mr. WILLIAMS of Pennsylvania. Mr. Chairman, will the gentleman yield?

Mr. BARRETT. I am glad to yield to my colleague, the gentleman from Pennsylvania.

Mr. WILLIAMS of Pennsylvania. In the gentleman's comment, he mentioned rat harborages. That is not covered in the section that I am trying to strike from this bill. Rather it is covered under demolition grants.

I want to say to you, there is no reason for any local government to permit the streets and sidewalks and playgrounds to fall into a deplorable condition.

There is no reason why every municipal government cannot tax so that they can have adequate garbage and trash collection and adequate street cleaning.

All we are trying to do is to place a premium on local government looking the other way and condoning inefficiency.

It can be done much cheaper at the local level than we can finance it at the Federal level. The gentleman's own city is a fine example of well maintained streets and sidewalks in every area of Philadelphia.

Mr. BARRETT. It does not have the money to rehabilitate the blighted areas.

Mr. WILLIAMS of Pennsylvania. We are not talking about rehabilitation. We are talking about municipal services.

Mr. BARRETT. Municipalities alone cannot undertake to rehabilitate these blighted areas. That is the purpose of having this provision in the bill. If they could, they would prevent these areas from deteriorating.

Mr. Chairman, I hope that we vote down the amendment. It is a very crippling amendment.

Mr. BLACKBURN. Mr. Chairman, I move to strike the requisite number of words.

The CHAIRMAN. The gentleman from Georgia is recognized for 5 minutes.

Mr. BLACKBURN. Mr. Chairman, in my humble opinion the only thing that this section would eliminate is $40 million a year from the Federal Treasury. I have a great fondness and respect for the chairman of the subcommittee, but I must confess that I was somewhat shocked at the broad ranging implications of his statement. To pretend to the American public that an expenditure of $40 million would rehabilitate the cities, eradicate rats, eliminate slums, and reslove other problems in our cities, is a grave delusion.

Furthermore, as my colleague from Pennsylvania has pointed out, there is no criteria as to which city would receive the $40 million or any part of that sum. I do not know that my city would receive any of it. There is no criteria as to what conditions have to exist to enable a city to receive one of these gifts of Federal money.

But even more dangerous in my mind is the precedent of allowing Federal funds to be used to pay the costs of continuing local services such as street cleaning and garbage collection. If local government is so impecunious or so inefficient that they are unable to establish a budget and a tax base upon which they can provide for these continuing needs, then local government needs drastic revision. Certainly we in Washington are not in a position to carry those loads for local governments.

Mr. HARSHA. Mr. Chairman, will the gentleman yield?

Mr. BLACKBURN. I am happy to yield to the gentleman from Ohio.

Mr. HARSHA. Can the gentleman tell me whether there would be any restriction on this proposed authorization, or is the $40 million authorization ad infinitum?

Mr. BLACKBURN. This is a $40 million authorization, which I suspect will be in every housing bill that comes up as long as the Congress exists. There is no limitation as to where it goes to or how much would go to a particular city.

Mr. HARSHA. Is it restricted to fiscal 1969?

Mr. BLACKBURN. No, it is not so restricted.

Mr. HARSHA. You mean that if we authorize this expenditure, we would authorize the expenditure for the next 20, 30, 40, or 50 years?

Mr. BLACKBURN. That is the case, yes.

Mr. PATMAN. Mr. Chairman, I ask unanimous consent that all debate on title IV and all amendments thereto expire in 15 minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from Texas?

Mr. GROSS. Mr. Chairman, reserving the right to object, how many more amendments are there to title IV?

The CHAIRMAN. At the desk there are two additional amendments, but there may be other amendments.

Is there objection to the request of the gentleman from Texas that all debate on title IV and all amendments thereto close in 15 minutes?

There was no objection.

The CHAIRMAN. The Chair recognizes the gentleman from New York [Mr. FARBSTEIN].

Mr. FARBSTEIN. Mr. Chairman, I move to strike the last word.

Mr. Chairman, for the information of the gentleman on the other side of the aisle, the residents of New York City are not responsible for Federal income tax alone. They are responsible for State income tax, they are responsible for a sales tax, and they are also responsible for a New York City income tax of 5 percent. The gentleman must, therefore, realize that the various municipalities, who are practically bankrupt and are compelled to pay 5½ and 5¾ percent for money, are in pretty bad shape and need Federal assistance.

What happens in these situations? Buildings are demolished, and we have

all sorts of breakage as a result of the demolition. Sidewalks are broken. All sorts of debris are located in the demolition area, and some assistance is needed to clear it up.

I suggest the Federal assistance is required in order that new low-cost housing can be built in this area, and, unless there is assistance by the Federal Government, the various municipalities, who are perhaps not even in as bad shape as New York City, will require this assistance. We will be doing great disservice to the various municipalities if we deprive them of this assistance.

The CHAIRMAN. The Chair recognizes the gentleman from Iowa [Mr. KYL].

Mr. KYL. Mr. Chairman, I yield to the gentleman from Pennsylvania [Mr. WILLIAMS].

Mr. WILLIAMS of Pennsylvania. Mr. Chairman, the situation as just described by the gentleman from New York in the clearing of an area for low-rent housing units contemplates that the cost of such a project includes everything that goes with the project, including sidewalks and removal of debris and so on.

What I am saying to the Members of this House is this: All this section does is provide $40 million a year for what are truly municipal services. I submit for the consideration of Members the fact that 99 percent of our local governments today are doing the very things which are spelled out in this bill and are doing them adequately without Federal assistance.

Mr. BLACKBURN. Mr. Chairman, will the gentleman yield?

Mr. KYL. I yield to the gentleman from Georgia.

Mr. BLACKBURN. Mr. Chairman, I would like to call to the attention of the committee that the mayor of New York has testified that he alone would need $50 billion the first year to rehabilitate his city. In view of such testimony I am somewhat shocked at the implication that $40 million to be spread throughout the entire United States is going to be sufficient to have an impact.

The CHAIRMAN. The Chair recognizes the gentleman from Florida [Mr. GIBBONS].

Mr. GIBBONS. Mr. Chairman, this section we are talking about, section 118, has some very broad provisions in it. It would allow the Secretary to make grants for the improvement of private properties under subsection 2, line 8, on page 106, and then, in the section which has already been pointed out, it would allow the Secretary to make grants for garbage and trash collection and for street cleaning and similar activities. I do not know what "similar activities" mean, but I guess it means whatever the imagination of the Secretary could arrive at.

Mr. Chairman, I think this section is too broadly drawn, and I certainly intend to vote for the amendment to strike this section when it is called up.

The CHAIRMAN. The chair recognizes the gentleman from Massachusetts [Mr. BOLAND].

Mr. BOLAND. Mr. Chairman, as a member of the Appropriations Committee that sits on the funding of the Department of Housing and Urban Development, I looked a little askance at this section when I first read it. But after giving it some thought, I feel this is a good section. It is an important section in the housing bill. It does provide for keeping structures in an area intended for urban renewal in better shape than they would be if this assistance were not granted.

This is interim assistance given to a community to protect and preserve the area that is planned for urban renewal or rehabilitation. In my judgment it would really save money in the long run.

There is an authorization contained in this section for $40 million, and the Appropriations Committee can take a look at this program.

This is interim assistance for programs planned for urban renewal, and some other programs in this bill. It would appear to me, on the basis of commonsense and good judgment, this section ought to be maintained in the bill.

The CHAIRMAN. The Chair recognizes the gentleman from Tennessee [Mr. BROCK].

Mr. BROCK. Mr. Chairman, this particular section says that "notwithstanding any other provision of this title" the Secretary is authorized to enter into a contract to provide two-thirds of the money for—and then you name it. There is absolutely no limit to the functions he can perform under this so-called interim emergency assistance program.

What concerns me is that we are back on another Public Works program, and every city in the United States is going to believe it can get "a piece of the action," and we have $40 million involved. Again you are creating a sense of frustration and failure at the local level.

I believe it is dog-goned well time this Congress stopped putting the carrot out, if it is not going to back it up.

Mr. WILLIAMS of Pennsylvania. Mr. Chairman, will the gentleman yield?

Mr. BROCK. I yield to the gentleman from Pennsylvania.

Mr. WILLIAMS of Pennsylvania. I should also like to say that if municipal and local governments are doing the job there is no reason for any condition to develop which should require interim assistance.

Mr. BARRETT. Mr. Chairman, will the gentleman yield?

Mr. BROCK. I yield to the gentleman from Pennsylvania.

Mr. BARRETT. I would inform the gentleman from Pennsylvania, that the mayor of Chester, in Delaware County, does his job. He is a Republican mayor. I think he does a splendid job down there. He is constantly calling for help such as this.

The city of Chester, according to the mayor, needs all the urban renewal financial aid it can get. I believe the gentleman comes from Delaware County. I am sure he wants to help people in his own party.

Mr. WILLIAMS of Pennsylvania. Mr. Chairman, will the gentleman yield?

Mr. BROCK. I yield to the gentleman from Pennsylvania.

Mr. WILLIAMS of Pennsylvania. I should like to say in reply to the distinguished gentleman from Pennsylvania that the mayor of Chester or the mayor of any other city never applied for any funds under this program, because this is a brandnew program.

I can also tell the gentleman that the city of Chester, as well as his own city, is doing a good job of maintaining its services.

The CHAIRMAN. The Chair recognizes the gentleman from Texas [Mr. PATMAN] to close debate on this amendment.

Mr. PATMAN. Mr. Chairman, the committee worked long hours and faithfully, for the equivalent of 4 weeks in the subcommittee and the equivalent of 3 weeks in the full committee.

The members who want a good housing bill have presented this bill to the House. Four members of the Banking and Currency Committee are not in favor of the bill. They are against it.

If the Members here who favor a good housing bill will stay by the committee, we will get through with this bill in a reasonable time, but if we are going to have to go through every amendment that was presented to the subcommittee and to the full committee over a period of weeks, we will not get through with this bill for weeks. We would just have an impossible job.

I hope the Members of the House who favor a good housing bill will listen to the majority of the Committee on Banking and Currency and vote for this bill, and not feel compelled to vote with the Members who are against any housing bill. They are just against the bill.

In other words, it goes back to what I said a while ago, we are listening to the surgeon who wields a knife who does not want the patient to live.

Those of us who voted for this bill, all of us except four, want the patient to live. We want the housing bill to live. So please vote with us if you see your way clear and believe that you should have a good housing bill, because this is a good housing bill.

Mr. Chairman, I hope the amendment offered by the gentleman from Pennsylvania [Mr. WILLIAMS] will be defeated.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Pennsylvania [Mr. WILLIAMS].

The question was taken; and on a division (demanded by Mr. BROCK) there were—ayes 51, noes 61.

Mr. BROCK. Mr. Chairman, I demand tellers.

Tellers were ordered, and the Chairman appointed as tellers Mr. WILLIAMS of Pennsylvania and Mr. PATMAN.

The Committee again divided, and the tellers reported that there were—ayes 88, noes 98.

So the amendment was rejected.

The CHAIRMAN. If there are no further amendments to title IV, the Clerk will read.

The Clerk read as follows:

TITLE V—URBAN PLANNING AND FACILITIES

COMPREHENSIVE PLANNING

SEC. 501. Section 701 of the Housing Act of 1954 is amended to read as follows:

"COMPREHENSIVE PLANNING

"SEC. 701. (a) In order to assist State and local governments in solving planning prob-

lems, including those resulting from the increasing concentration of population in metropolitan and other urban areas and the outmigration from and lack of coordinated development of resources and services in rural areas; to facilitate comprehensive planning for urban and rural development, including coordinated transportation systems, on a continuing basis by such governments; and to encourage such governments to establish and improve planning staffs and techniques on an areawide basis, and to engage private consultants where their professional services are deemed appropriate by the assisted governments, the Secretary is authorized to make planning grants to—

"(1) State planning agencies for the provision of planning assistance to (A) cities and other municipalities having a population of less than 50,000 according to the latest decennial census, and counties without regard to population: *Provided,* That grants shall be made under this paragraph for planning assistance to counties having a population of 50,000 or more, according to the latest decennial census, which are within metropolitan areas, only if (i) the Secretary finds that planning and plans for such county will be coordinated with the program of comprehensive planning, if any, which is being carried out for the metropolitan area of which the county is a part, and (ii) the aggregate amount of the grants made subject to this proviso does not exceed 15 per centum of the aggregate amount appropriated, after September 2, 1964, for the purposes of this section, (B) any group of adjacent communities, either incorporated or unincorporated, having a total population of less than 50,000 according to the latest decennial census and having common or related urban planning problems, (C) cities, other municipalities, and counties referred to in paragraph (3) of this subsection, and areas referred to in paragraph (4) of this subsection, and (D) Indian reservations;

"(2) State, metropolitan, and regional planning agencies for metropolitan or regional planning, and to cities within metropolitan areas for planning which is part of comprehensive metropolitan planning and which shall supplement and be coordinated with State, metropolitan, and regional planning;

"(3) cities, other municipalities, and counties which (A) are situated in redevelopment areas or economic development districts designated by the Secretary of Commerce under title IV of the Public Works and Economic Development Act of 1965, or (B) have suffered substantial damage as a result of a catastrophe which the President, pursuant to section 2(a) of the Act entitled 'An Act to authorize Federal assistance to States and local governments in major disasters, and for other purposes', approved September 30, 1950, as amended (42 U.S.C. 1855a), has determined to be a major disaster;

"(4) official governmental planning agencies for areas where rapid urbanization has resulted or is expected to result from the establishment or rapid and substantial expansion of a Federal installation, or for areas where rapid urbanization is expected to result on land developed or to be developed as a new community approved under section 1004 of the National Housing Act;

"(5) States for State and interstate comprehensive planning and for research and coordination activity related thereto, including technical and other assistance for the establishment and operation of intrastate and interstate planning agencies;

"(6) State planning agencies for assistance to district planning, or planning for areas within districts, carried on by or for district planning agencies;

"(7) metropolitan and regional planning agencies, with the approval of the State planning agency or (in States where no such planning agency exists) of the Governor of the State, for the provision of planning assistance within the metropolitan area or region to cities, other municipalities, counties, groups of adjacent communities, or Indian reservations described in clauses (A), (B), (C), and (D) of paragraph (1) of this subsection;

"(8) official governmental planning agencies for any area where there has occurred a substantial reduction in employment opportunities as the result of (A) the closing (in whole or in part) of a Federal installation, or (B) a decline in the volume of Government orders for the procurement of articles or materials produced or manufactured in such area;

"(9) tribal planning councils or other tribal bodies designated by the Secretary of the Interior for planning for an Indian reservation;

"(10) the Appalachian Regional Commission, established by the Appalachian Regional Development Act of 1965, for comprehensive planning for the Appalachian region as defined by section 403 of such Act (or State agencies or instrumentalities participating in such planning); and

"(11) local development districts, certified under section 301 of the Appalachian Regional Development Act of 1965, for comprehensive planning for their entire areas, or for metropolitan planning, urban planning, county planning, or small municipality planning within such areas in the Appalachian region, and for planning for Appalachian regional programs.

Planning assisted under this section shall, to the maximum extent feasible, cover entire areas having common or related development problems. The Secretary shall encourage cooperation in preparing and carrying out plans among all interested municipalities, political subdivisions, public agencies, and other parties in order to achieve coordinated development of entire areas. To the maximum extent feasible, pertinent plans and studies already made for areas shall be utilized so as to avoid unnecessary repetition of effort and expense. Planning which may be assisted under this section includes the preparation of comprehensive transportation surveys, studies, and plans to aid in solving problems of traffic congestion, facilitating the circulation of people and goods in metropolitan and other areas and reducing transportation needs. Planning carried out with assistance under the section shall also include a housing element as part of the preparation of comprehensive land use plans, and this consideration of the housing needs and land use requirements for housing in each comprehensive plan shall take into account all available evidence of the assumptions and statistical basis upon which the projection of zoning, community facilities, and population growth is based, so that the housing needs of both the region and the local communities studied in the planning will be adequately covered in terms of existing and prospective in-migrant population growth. Funds available under this section shall be in addition to and may be used jointly with funds available for planning surveys and investigations under other federally aided programs, and nothing contained in this section shall be construed as affecting the authority of the Secretary of Transportation under section 307 of title 23, United States Code.

"(b) A planning grant made under subsection (a) shall not exceed two-thirds of the estimated cost of the work for which the grant is made: *Provided,* That such a grant may be made for up to 75 per centum of such estimated cost when made for planning primarily for (1) redevelopment areas, local development districts, or economic development districts, or portions thereof, described in paragraphs (3) (A) and (11) of subsection (a), (2) areas described in subsection (a) (8), and (3) the Appalachian region, as described in subsection (a) (10). All grants made under this section shall be subject to terms and conditions prescribed by the Secretary. No portion of any grant made under this section shall be used for the preparation of plans for specific public works. The Secretary is authorized, notwithstanding the provisions of section 3648 of the Revised Statutes, as amended, to make advance or progress payments on account of any grant made under this section. There are authorized to be appropriated for the purposes of this section not to exceed $265,000,000 prior to July 1, 1969, and not to exceed $390,000,000 prior to July 1, 1970. Of the amount available prior to July 1, 1969, $20,000,000 may be used only for district planning grants under subsection (a) (6), which amount shall be increased by $10,000,000 on July 1, 1969. Any amounts appropriated under this section shall remain available until expended: *Provided,* That of any funds appropriated under this section, not to exceed an aggregate of $10,000,000 plus 5 per centum of the funds so appropriated may be used by the Secretary for studies, research, and demonstration projects, undertaken independently or by contract, for the development and improvement of techniques and methods for comprehensive planning and for the advancement of the purposes of this section, and for grants to assist in the conduct of studies and research relating to needed revisions in State statutes which create, govern, or control local governments and local governmental operations.

"(c) The Secretary is authorized, in areas embracing several municipalities or other political subdivisions, to encourage planning on a unified regional, district, or metropolitan basis and to provide technical assistance for such planning and the solution of problems relating thereto.

"(d) It is the further intent of this section to encourage comprehensive planning, including transportation planning, for States, cities, counties, metropolitan areas, districts, regions, and Indian reservations and the establishment and development of the organizational units needed therefor. In extending financial assistance under this section, the Secretary may require such assurances as he deems adequate that the appropriate State and local agencies are making reasonable progress in the development of the elements of comprehensive planning. The Secretary is authorized to provide technical assistance to State and local governments and their agencies and instrumentalities, and to Indian tribal bodies, undertaking such planning and, by contract or otherwise, to make studies and public information on related problems.

"(e) In the exercise of his responsibilities under this section, the Secretary shall consult with those officials of the Federal Government responsible for the administration of programs of Federal assistance to the States and municipalities for various categories of public facilities and other comprehensively planned activities. He shall, particularly, consult with the Secretary of Agriculture prior to his approval of any district planning grants under subsections (a) (6) and (g). The Secretary of Agriculture may provide technical assistance, with or without reimbursement, in connection with the establishment of such districts and the carrying out of such planning.

"(f) The consent of the Congress is hereby given to any two or more States to enter into agreements or compacts, not in conflict with any law of the United States, for cooperative efforts and mutual assistance in the comprehensive planning for the growth and development of interstate, metropolitan, or other urban areas, and to establish such agencies, joint or otherwise, as they may deem desirable for making effective such agreements and compacts.

"(g) In addition to the planning grants authorized by subsection (a), the Secretary is further authorized to make grants to organizations composed of public officials representative of the political jurisdictions within the metropolitan area, region, or district for the purpose of assisting such organizations to undertake studies, collect data, develop metropolitan, regional, and district plans and programs, and engage in such other activities as the Secretary finds necessary or desirable for the solution of the metropolitan, regional, or district problems in such areas, regions, or districts. To the maximum extent feasible, all grants under this subsection shall be for activities relating to all the developmental aspects of the total metropolitan area, region, or district including, but not limited to, land use, transportation, housing, economic development, natural resource development, community facilities, and the general improvement of living environments. A grant under this subsection shall not exceed two-thirds of the estimated cost of the work for which the grant is made.

"(h) In addition to the other grants authorized by this section, the Secretary is authorized to make grants to assist any city, other municipality, or county in making a survey of the structures and sites in such locality which are determined by its appropriate authorities to be of historic or architectural value. Any such survey shall be designed to identify the historic structures and sites in the locality, determine the cost of their rehabilitation or restoration, and provide such other information as may be necessary or appropriate to serve as a foundation for a balanced and effective program of historic preservation in such locality. The aspects of any such survey which relate to the identification of historic and architectural values shall be conducted in accordance with criteria found by the Secretary to be comparable to those used in establishing the national register maintained by the Secretary of the Interior under other provisions of law; and the results of each such survey shall be made available to the Secretary of the Interior. A grant under this subsection shall not exceed two-thirds of the cost of the survey for which it is made, and shall be made to the appropriate agency or entity specified in paragraphs (1) through (11) of subsection (a) or, if there is no such agency or entity which is qualified and willing to receive the grant and provide for its utilization in accordance with this subsection, directly to the city, other municipality, or county involved.

"(i) As used in this section—

"(1) The term 'metropolitan area' means a standard metropolitan statistical area, as established by the Bureau of the Budget, subject, however, to such modifications or extensions as the Secretary deems to be appropriate for the purposes of this section.

"(1) The term 'region' includes (A) all or part of the area of jurisdiction of one or more units of general local government, and (B) one or more metropolitan areas.

"(3) The term 'district' includes all or part of the area of jurisdiction of (A) one or more counties, and (B) one or more other units of general local government, but does not include any portion of a metropolitan area.

"(4) The term 'comprehensive planning' includes the following:

"(A) preparation, as a guide for governmental policies and action, of general plans with respect to (i) the pattern and intensity of land use, (ii) the provision of public facilities (including transportation facilities) and other government services, and (iii) the effective development and utilization of human and natural resources;

"(B) long-range physical and fiscal plans for such action;

"(C) programing of capital improvements and other major expenditures, based on a determination of relative urgency, together with definitive financing plans for such expenditures in the earlier years of the program;

"(D) coordination of all related plans and activities of the State and local governments and agencies concerned; and

"(E) preparation of regulatory and administrative measures in support of the foregoing.

Comprehensive planning for the purpose of districts shall not include planning for or assistance to establishments in relocating from one area to another or assist subcontractors whose purpose is to divest, or whose economic success is dependent upon divesting, other contractors or subcontractors of contracts theretofore customarily performed by them: *Provided,* That this limitation shall not be construed to prohibit assistance for the expansion of an existing business entity through the establishment of a new branch, affiliate, or subsidiary of such entity, if the Secretary finds that the establishment of such branch, affiliate, or subsidiary will not result in an increase in unemployment in the area of original location or in any other area where such entity conducts business operations, unless the Secretary has reason to believe that such branch, affiliate, or subsidiary is being established with the intention of closing down the operations of the existing business entity in the area of its original location or in any other area where it conducts such operations.

"(5) The term 'State planning agencies' includes official State planning agencies and (in States where no such planning agency exists) agencies or instrumentalities of State government designated by the Governor of the State and acceptable to the Secretary.

"(6) The terms 'metropolitan planning agencies', 'regional planning agencies', and 'district planning agencies' mean official metropolitan, regional, and district planning agencies, or other agencies and instrumentalities designated by the Governor (or Governors in the case of interstate planning), and acceptable to the Secretary, empowered under State or local law or interstate compact to perform metropolitan, regional, or district planning, respectively: *Provided,* That such agencies and instrumentalities shall, to the greatest practicable extent be composed of or responsible to the elected officials of the unit or units of general local government for whose jurisdictions they are empowered to engage in planning."

PLANNED AREAWIDE DEVELOPMENT

SEC. 502. (a) The heading of title II of the Demonstration Cities and Metropolitan Development Act of 1966 is amended to read as follows: "TITLE II—PLANNED AREAWIDE DEVELOPMENT".

(b) Section 201 of such Act is amended to read as follows:

"FINDINGS AND DECLARATION OF PURPOSE

"SEC. 201. (a) The Congress hereby finds that the welfare of the Nation and of its people is directly dependent upon the sound and orderly development and the effective organization and functioning of our State and local governments.

"It further finds that it is essential that our State and local governments prepare, keep current, and carry out comprehensive plans and programs for their orderly physical development with a view to meeting efficiently all their economic and social needs.

"It further finds that our State and local governments are especially handicapped in this task by the complexity and scope of governmental services required, the multiplicity of political jurisdictions and agencies involved, and the inadequacy of the operational and administrative arrangements available for cooperation among them.

"It further finds that present requirements for areawide planning and programing in connection with various Federal programs have materially assisted in the solution of areawide problems, but that greater coordination of Federal programs and additional participation and cooperation are needed from the States and localities in perfecting and carrying out such efforts.

"(b) It is the purpose of this title to provide through greater coordination of Federal programs, and though supplementary grants for certain federally assisted development projects, additional encouragement and assistance to States and localities for making comprehensive areawide planning and programing effective."

(c) Section 202 of such Act is amended by striking out "metropolitan" each place it appears and inserting in lieu thereof "areawide".

(d) (1) Section 205 of such Act is amended by striking out "metropolitan development" each place it appears and inserting in lieu thereof "areawide development".

(2) Such section is further amended by striking out "metropolitan areas" and "metropolitan area" and inserting in lieu thereof "areas" and "area", respectively.

(3) Such section is further amended by striking out "metropolitanwide" each place it appears, and inserting in lieu thereof "areawide".

(4) Such section is further amended by striking out "metropolitan planning" each place it appears and inserting in lieu thereof "areawide planning".

(5) Such section is further amended by inserting "where appropriate," after "(B)" in subsection (c) (1).
subsection (c) (1).

(6) Such section is further amended by striking out "within the metropolitanwide area" in subsection (f).

(e) (1) Paragraphs (1) and (2) of section 208 of such Act are amended by striking out "Metropolitan" and inserting in lieu thereof "Areawide".

(2) Paragraph (7) of such section is amended—

(A) by striking out "or metropolitan or regional" and inserting in lieu thereof ", metropolitan, regional, or district"; and

(B) by striking out "metropolitan" in the parenthetical phrase.

(f) Section 206(b) of such Act is amended by striking out the second sentence and inserting in lieu thereof the following: "Any amounts appropriated under this section shall remain available until expended, and any amounts authorized for any fiscal year under this section but not appropriated may be appropriated for any succeeding fiscal year commencing prior to July 1, 1970."

ADVANCE ACQUISITION OF LAND

SEC. 503. (a) Section 701 of the Housing and Urban Development Act of 1965 is amended by striking out "in connection with the future construction of public works and facilities" in clause (3) and inserting in lieu thereof "in the future for public purposes".

(b) Section 704 of such Act is amended to read as follows:

"ADVANCE ACQUISITION OF LAND

"SEC. 704. (a) In order to encourage and assist the timely acquisition of land planned to be utilized in the future for public purposes, the Secretary is authorized to make grants to States and local public bodies and agencies to assist in financing the acquisition of a fee simple estate or other interest in such land.

"(b) The amount of any grant made under this section shall not exceed the aggregate amount of reasonable interest charges on the loans or other financial obligations incurred to finance the acquisition of such land for a period not in excess of the lesser of (1) five years from the date of acquisition of such land or (2) the period of time be-

tween the date on which the land was acquired and the date its use began for the purpose for which it was acquired: *Provided*, That where all or any portion of the cost of such land is not financed through borrowings, the amount of the grant shall be computed on the basis of the aggregate amount of reasonable interest charges that the Secretary determines would have been required.

"(c) No grant shall be made under this section unless the Secretary determines that the land will be utilized for a public purpose within a reasonable period of time and that such utilization will contribute to economy, efficiency, and the comprehensively planned development of the area. The Secretary shall in all cases require that land acquired with the assistance of a grant under this section be utilized for a public purpose within five years after the date on which a contract to make such grant is entered into, unless the Secretary (1) determines that due to unusual circumstances a longer period of time is necessary and in the public interest, and (2) reports such determination promptly to the Committees on Banking and Currency of the Senate and House of Representatives.

"(d) No land acquired with assistance under this section shall, without approval of the Secretary, be diverted from the purpose originally approved. The Secretary shall approve no such diversion unless he finds that the diversion is in accord with the then applicable comprehensive plan for the area. In cases of a diversion of land to other than a public purpose, the Secretary may require repayment of the grant, or substitution of land of approximately equal fair market value, whichever he deems appropriate. An interim use of the land for a public or private purpose in accordance with standards prescribed by the Secretary, or approved by him, shall not constitute a diversion within the meaning of this subsection.

"(e) Notwithstanding any other provision of law, no project for which land is acquired with assistance under this section shall, solely as a result of such advance acquisition, be considered ineligible for the purpose of any other Federal loan or grant program, and the amount of the purchase price paid for the land by the recipient of a grant under this section may be considered an eligible cost for the purpose of such other Federal loan or grant program."

WATER AND SEWER FACILITIES PROGRAM

SEC. 504. (a) Section 702(c) of the Housing and Urban Development Act of 1965 is amended by striking out "July 1, 1968" and inserting in lieu thereof "October 1, 1969".

(b) Section 702(b) of such Act is amended—

(1) by inserting after "community" the first time it appears the following: ", or an unincorporated area served by a water district or improvement district,";

(2) by inserting after "community" each subsequent time it appears the following: "or area"; and

(3) by striking out "a basic public sewer facility" and inserting in lieu thereof "a basic public water or sewer facility".

(c) Section 702 of such Act is amended by adding at the end thereof a new subsection as follows:

"(d) In the administration of this section the Secretary shall require that, to the greatest extent practicable, new job opportunities be provided for unemployed or underemployed persons in connection with projects the financing of which is assisted under this section."

AUTHORIZATIONS FOR THE WATER AND SEWER FACILITIES, NEIGHBORHOOD FACILITIES, AND ADVANCE ACQUISITION OF LAND PROGRAMS

SEC. 505. (a) Section 708(b) of the Housing and Urban Development Act of 1965 is amended by striking out "July 1, 1969" and inserting in lieu thereof "July 1, 1970".

(b) Section 708(a) of such Act is amended by striking out "$200,000,000 for grants under section 702" and inserting in lieu thereof "$200,000,000 (or $500,000,000 in the case of any such fiscal year commencing after June 30, 1967) for grants under section 702".

OPEN-SPACE LAND PROGRAM

SEC. 506. (a) Section 702(b) of the Housing Act of 1961 is amended to read as follows:

"(b) There are authorized to be appropriated, for the purpose of making grants under this title, not to exceed $310,000,000 prior to July 1, 1969, and not to exceed $460,000,000 prior to July 1, 1970. Any amounts appropriated under this section shall remain available until expended."

(b) Section 708(b) of such Act is amended by striking out "$50,000" and inserting in lieu thereof "$125,000".

AUTHORIZATION TO MAKE FEASIBILITY STUDIES IN THE PUBLIC WORKS PLANNING ADVANCES PROGRAM

SEC. 507. Section 702(a) of the Housing Act of 1954 is amended by inserting after "to aid in financing the cost of" the following: "feasibility studies,".

Mr. PATMAN (during the reading). Mr. Chairman, I ask unanimous consent that title V be considered as read, printed in the RECORD, and open to amendment at any point.

The CHAIRMAN. Is there objection to the request of the gentleman from Texas?

There was no objection.

AMENDMENT OFFERED BY MR. MORRIS OF NEW MEXICO

Mr. MORRIS of New Mexico. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. MORRIS of New Mexico: On page 109, strike out line 24, and insert the following:

"(3)(A) economic development districts designated by the Secretary of Commerce under title IV of the Public Works and Economic Development Act of 1965, and

"(B) cities, other municipalities, and counties which".

On page 110, lines 1 and 4, strike out "(A)" and "(B)" and insert "(i)" and "(ii)", respectively.

(Mr. MORRIS of New Mexico asked and was given permission to revise and extend his remarks.)

Mr. MORRIS of New Mexico. Mr. Chairman, I shall not take the entire 5 minutes. I have presented this amendment to the committee prior to offering it here today. However, I would like to take a moment or two to explain it.

Mr. Chairman, the Public Works and Economic Development Act of 1965 authorized the Secretary of Commerce to designate appropriate "economic development districts" in order that projects designed to reduce unemployment and underemployment would be planned and carried out within the context of a broad geographic area. Twenty-four such districts were formally designated as of January 1, 1968. An additional 72 are in various stages of organization prior to formal designation.

The need for broader context in planning for economic development was recognized by the 89th Congress. I propose that the 90th Congress further implement this concept by amending the urban planning assistance program, section 701 of the Housing Act of 1954, to make economic development districts eligible for grants for comprehensive planning, as was done for local development districts in Appalachia in 1967.

I would expect that the Secretary of Housing and Urban Development, in administering this amendment, would take steps to assure that this would not proliferate unnecessarily the areas and agencies eligible for section 701 assistance. Since economic development districts are generally composed of groups of rural counties, I would expect that they would have identical boundaries and the same policy organizations as any rural districts set up, under the new authority in section 601 of the bill. Thus, duplication in assistance, in these cases, would be avoided.

Mr. BLATNIK. Mr. Chairman, will the gentleman yield?

Mr. MORRIS of New Mexico. Mr. Chairman, I yield to the gentleman from Minnesota.

Mr. BLATNIK. Mr. Chairman, I thank the gentleman for yielding.

Mr. Chairman, this amendment serves to bring the language of this section into line with the stated intent of title V of the Housing and Urban Development Act of 1968. On page 108, line 11, the purpose of this title is said to be in part, "to facilitate comprehensive planning for urban and rural development." The Department of Housing and Urban Development could certainly make its planning funds do a better job in rural areas if it were able to fund economic development districts. It could better respond to one well-staffed, well-financed district planning office than to a series of individual communities of varying capabilities each seeking to supplement its own meager finances with Federal funding.

There are also other reasons for amending the bill in this way. First, if HUD planning grants were made available to economic development districts, additional sources of funds would be available to the districts to support their planning activities and further the district planning concept. Joint HUD-EDA funding would be possible, thus reducing the total burden to each agency and avoiding possible duplication of planning efforts. Finally, the two agencies which would be acting in accordance with the Bureau of the Budget Circular A–80 which called for greater interagency cooperation on programs.

The bill as it stands now already makes HUD planning grants available to cities and other communities and counties within economic development districts. I feel that it would be a mistake not to include the districts themselves.

Mr. EDMONDSON. Mr. Chairman, will the gentleman yield?

Mr. MORRIS of New Mexico. I yield to the gentleman from Oklahoma.

Mr. EDMONDSON. Mr. Chairman, I want to commend my good friend, the able gentleman from New Mexico, for offering this amendment. Many of these economic development districts have been laboring under limitations with regard to funds, and I believe his amendment will serve a worthwhile purpose in promoting better cooperation between the Federal agencies in this direction.

Mr. Chairman, I hope the amendment will be adopted.

Mr. PATMAN. Mr. Chairman, will the gentleman yield?

Mr. MORRIS of New Mexico. I am delighted to yield to the distinguished chairman.

Mr. PATMAN. Mr. Chairman, we have examined the amendment offered by the gentleman from New Mexico [Mr. MORRIS], and we have discussed with some of the Members on the minority side of the aisle, and on our side of the aisle we are willing to accept the amendment.

Mr. MORRIS of New Mexico. I thank the gentleman.

Mr. WIDNALL. Mr. Chairman, will the gentleman yield?

Mr. MORRIS of New Mexico. I am happy to yield to the gentleman from New Jersey.

Mr. WIDNALL. Mr. Chairman, the amendment is acceptable on this side.

Mr. MORRIS of New Mexico. I thank the gentleman.

The CHAIRMAN. The question is on the amendment offered by the gentleman from New Mexico [Mr. MORRIS].

The amendment was agreed to.

Mr. YATES. Mr. Chairman, I move to strike the last word.

Mr. Chairman, I see that the distinguished gentleman from Illinois [Mr. ANDERSON] is on the floor, and I should like to ask the gentleman some questions pertaining to the two amendments he offered that were accepted in the Commitee yesterday.

Mr. Chairman, if I may have the attention of the gentleman from Illinois [Mr. ANDERSON], it is my understanding that under the amendments the public housing limits to which the gentleman from Illinois [Mr. ANDERSON] referred yesterday, is that which is authorized for continued occupancy of a public housing family. This, as the gentleman knows, is somewhat in excess of the limits permissible for initial occupancy; is that correct?

Mr. ANDERSON of Illinois. If the gentleman will yield, the answer is "Yes"; the gentleman from Illinois is correct.

The amendment which I offered yesterday would authorize occupancy for families whose incomes are 30 percent above the limits approved for continued occupancy by public housing families. That would pertain to the sales housing under section 235, and the rental housing and cooperative programs under section 236.

Mr. YATES. I would like to ask the gentleman a question about another part of the amendment which troubles me, and that is what happens when the family subsequently exceeds the income limitation which is authorized by the gentleman's amendments; namely, 130 percent?

Does the subsidy that is called for stop at that time? Must the family then start paying the entire mortgage payment or the full economic rent, even though this may be substantially in excess of the 20-percent formula provided for homeowners, or the 25-percent formula provided for tenants?

If that is the case, it would mean that there could be a most substantial increase in the mortgage payments required of the family. It might result in default and possible foreclosure. Similarly, in the case of a tenant, it could mean that the tenant could not pay the increased rental, and would have to move. And of course it might result also in the same criticism we now have with regard to public housing, namely, that the incentive to increase his income would be lost by the tenant in order to avoid disqualification as a public housing tenant.

It seems to me, may I say to the gentleman from Illinois, that once eligibility for initial occupancy is established, a homeowner or tenant should be permitted to continue paying the appropriate percentage of his income toward the mortgage payment or toward the rental or the payment under a co-op arrangement until this percentage equals the full economic rent or mortgage payment.

Does the gentleman agree with me?

Mr. ANDERSON of Illinois. I agree completely with the statement the gentleman from Illinois [Mr. YATES] just made.

I would have no intention under either of those amendment of disqualifying any tenant or homeowner who was once eligible, but who then found that his income had increased beyond the original limits that would be fixed under those amendments.

Under the amendment that I offered in the case of homeownership, he would continue to pay 20 percent of his income until this amount was equal to the total amount due for principal, interest, taxes, insurance, and mortgage insurance premiums.

In the case of a rental, he would continue paying 25 percent of his income until this amount equals the full economic rent.

To have any other interpretation, or to have this program operate differently than that, would certainly defeat the purpose of the program and it would destroy the incentive that we want to have to encourage both the homeowner and the tenant to do whatever he can to raise his income level.

So I repeat, once he is eligible under the program, he is not disqualified under either the sales program, the homeownership program or the rental program—even if his income increases.

Mr. YATES. I thank the gentleman.

Mr. REUSS. Mr. Chairman, will the gentleman yield?

Mr. YATES. I yield to the gentleman.

Mr. REUSS. I would like to ask either of the gentlemen from Illinois, or anybody else, whether they believe that any appreciable amount of new housing, either for sale or for rental, is going to be built under the public housing plus 30 percent amendments adopted yesterday.

Mr. ANDERSON of Illinois. Mr. Chairman, will the gentleman yield so that I may respond to the gentleman?

Mr. YATES. I yield to the gentleman.

Mr. ANDERSON of Illinois. Certainly, I think so. Otherwise I would not have offered those amendments.

I would point out to the gentleman from Wisconsin that in operating under the income limitations you have now under the rent subsidy program, surely you are not going to tell me we are not making progress in that program; the rent supplement program?

Mr. REUSS. I would tell the gentleman exactly that. The rent supplement program has been so niggardly funded that it has not made any progress.

Mr. ANDERSON of Illinois. Are you blaming that on the income limit? Surely, you are not doing that.

(Mr. YATES asked and was given permission to revise and extend his remarks.)

AMENDMENT OFFERED BY MR. WIDNALL

Mr. WIDNALL. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. WIDNALL: On page 128, after line 18, insert the following new section:

"REPEAL OF 1966 PROVISION FOR COORDINATION OF FEDERAL AIDS IN METROPOLITAN AREAS

"SEC. 508. Section 204 of the Demonstration Cities and Metropolitan Development Act of 1966 is repealed."

(Mr. WIDNALL asked and was given permission to revise and extend his remarks.)

Mr. WIDNALL. Mr. Chairman, the purpose of my amendment is very easily explained. It would repeal section 204 of the 1966 Housing Act.

Section 204 has been the cause of much controversy and funds for administering it were denied a year ago by the House in connection with an amendment to the independent offices appropriation bill for fiscal year 1968.

Stated in its simplest terms, section 204 of the 1966 Housing Act provided that all Federal-aid applications by local, county, or State jurisdictions for the planning or construction of hospitals, airports, libraries, water supply and distribution facilities, sewage facilities and waste treatment works, highways, transportation facilities, and water development and land conservation projects within any metropolitan area must be submitted for review to an areawide agency which is designated to perform metropolitan or regional planning for the area within which the Federal assistance is to be used and which meets the standards of the Secretary of Housing and Urban Development. Stated quite simply, section 204 created the statutory basis for placing the Department of Housing and Urban Development in a super departmental role over several multibillion-dollar Federal-aid programs over which it otherwise has no control whatsoever.

While I agree with the need for far more metropolitan areawide planning than exists today, section 204 carries a threat which could set back the trend toward such planning. While many metropolitan areas in the Nation today lack the coordinated planning which is essential for our Nation's orderly growth, in my mind section 204 was drafted by those in Washington who have become too impatient with the pace of metropolitan planning. Nearly as an act of frustration, these Federal planners conceived statutory language which would hold the club of Federal denial of a wide range of multibillion-dollar programs to metropolitan areas which did not meet the standards of long-range planning established by HUD. The approach of section

204 is virtually 180 degrees different from that of the established section 701 planning program where the Federal Government encourages metropolitan regional planning by assisting with Federal funds the establishment of comprehensive areawide planning agencies.

Mr. Chairman, most of us realize that "Metro" is a very controversial issue in most metropolitan areas. It is a concept that requires a great deal of public understanding and support before it can achieve its goals. Contrary to those in the Department of Housing and Urban Development who drafted section 204, I am relatively optimistic on the outlook for greater coordination of local jurisdictions in the years ahead in our metropolitan areas. Already a very high degree of areawide planning has been achieved on a voluntary basis in connection with water and air pollution, long-range transit planning, educational and recreational planning, and in some cases even fiscal planning. I have the utmost confidence that the American people living in metropolitan areas are arriving at the collective judgment that orderly growth can only be attained with a greater measure of coordinated planning between local jurisdictions of government. The biggest threat toward continuing in this direction would be distrust and misunderstanding created by those who might impose their concepts by the use of massive denial of most of our largest Federal-aid programs.

Mr. Chairman, I think title V of the bill before us today increases the already wide ranging authority of the Department of Housing and Urban Development over areawide planning agencies to a sufficient degree to insure continuation of Federal support for the concept of a coordinated approach to the massive problems of our metropolitan areas. Repeal of section 204 would in no way deter us from this objective. Instead, it would remove the cause for a great deal of misunderstanding and distrust associated with the term "Metro."

Mr. Chairman, I urge support for my amendment.

Mr. ASHLEY. Mr. Chairman, will the gentleman yield?

Mr. WIDNALL. I yield to the gentleman from Ohio.

Mr. ASHLEY. I am a little surprised at the amendment. I do not recall that the gentleman offered the amendment during the housing hearings or the markup of the bill. Has the gentleman received some information that communities are unhappy with the provisions of section 204? Quite the contrary has been my understanding. I know a number of communities have formed their council of government as a requirement for participation in various Federal programs. Is this not the gentleman's understanding also?

The CHAIRMAN. The time of the gentleman from New Jersey has expired.

Mr. ASHLEY. Mr. Chairman, I move to strike the requisite number of words.

The CHAIRMAN. The gentleman from Ohio is recognized for 5 minutes.

Mr. ASHLEY. I would ask the gentleman from New Jersey what his views are with respect to that point.

Mr. WIDNALL. There have been a number of complaints along this line. The power that is there, the power of denial of funds in every direction if there is not complete coordination with the HUD operation here in Washington, is far more power that I believe we want them to have at this time. I think we are making great strides towards voluntary participation in this respect, and what is provided in the present bill, added to what we already have on the books, I think will do the job sufficiently well without the threat that is present in section 204 of the bill.

Mr. ASHLEY. Mr. Chairman, I do not like to disagree with my friend from New Jersey, but I am constrained to do so in this case. The question is not voluntary versus compulsory acceptance of metropolitan planning. Participation in any event is voluntary. The issue, it seems to me, is whether we are going to take a long step backward and away from metropolitanwide planning, which is so obviously and desperately needed at this time.

Are we to turn our backs on a section of the Housing Act that we adopted years ago? It seems to me with the tremendous growth and the need for managing metropolitan services in a coherent and effective and efficient way, this is the worst kind of amendment that could be adopted at this time.

Mr. Chairman, I would urge the amendment be voted down.

(Mr. CRAMER asked and was given permission to revise and extend his remarks.)

Mr. CRAMER. Mr. Chairman, I move to strike the requisite number of words.

Mr. Chairman, I rise in support of the amendment offered by the gentleman from New Jersey. The gentleman from Ohio [Mr. ASHLEY] a moment ago suggested that this was perhaps a new matter. This matter was considered 2 years ago and the House voted in the model cities appropriation bill for my amendment not to implement section 204. The House could not say it any more plainly. The House said overwhelmingly that the Department of Housing and Urban Development should not be dictating to the local government authorities as to what their policies should be relating to this broad scope of basically public works activities including hospitals.

What right does one city have to say to another city where that city is going to build a hospital? Airports—there might be some justification. Libraries, water supply, and distribution, streets and highways—good gracious, if there is any public works program which is just about being planned out of business already, it is the highway program. We have a comprehensive areawide "highway development planning" process underway and in effect in every metropolitan area today pursuant to the present highway laws in title 23 relating to transportation and, lo and behold, if section 204 remains we are going to put another strata of planning on top of that already in existence and already going forward. We will have another strata on top of that, with areawide planning under section 204.

So I say, if we want to plan ourselves out of business relating to public works programs and highways in particular, this is the way to do it: Leave 204 in its present status. I say we should adopt the Widnall amendment and stop planning ourselves out of business on these public works programs. It is a condition precedent under section 204 to every single one of these public works programs for every single project that the States and local authorities get clearance from the areawide planning agency determined by the Department of Housing and Urban Development to be the proper planning agency, even though that agency has no correlation and no elected official responsibility whatsoever with the local planning agency concerning highways, for instance, that is now in existence.

I say it does not make any sense.

Further, as section 204 is worded, the Secretary of Housing and Urban Development has complete discretion in reviewing the recommendations of these areawide planning agencies as to whether then he will give another agency, meaning the Highway Department, for instance, or the Transportation Department, the Bureau of Public Roads permission for them to give a grant or approve a project to go forward with highway construction within the State or local community. Does that make sense? It does not make sense to me. I think the only sensible thing to do is adopt the Widnall amendment.

Less than 2 years ago I opposed the adoption of section 204 as legislation that was detrimental to the best interests of the country and that would lead to irreversible damage to the workings of State and local governments. Section 204 hangs like a hatchet over the heads of all local governments. It says to them, "Comply with the Federal Government's view of what is to be required in other areas throughout the country. If you do not, I shall chop your Federal grant money off."

Mr. Chairman, at that time I spoke of the octopus of Federal control over local municipal decisions as they apply to hospitals, airports, libraries, water supply and distribution systems, sewage facilities, waste treatment plants, highways, transport facilities, and various other projects contained under grant and aid programs.

The concept by which local government and local decisions are to be replaced by metro government and areawide agencies is nothing more than a thinly disguised veil of Federal usurpation of State and municipal prerogatives. Not only does the Federal Government choose to inject itself into matters of local concern, but it makes arbitrary decisions as to which localities are to be wedded together for the proposed areawide planning. As a result, Mr. Chairman, cities about 20 miles apart, such as Tampa and St. Petersburg, which have definitely constituted local governments and inadequate legislative authority or funding and staffing to conform to Federal demands, are lumped together under the great umbrella of metro planning.

I pointed out then, Mr. Chairman, and

I point out again that section 204 is a dangerous thing, a very dangerous thing. It came about by the whim of a Member of the other body, and it subjects the entire Nation to the whims of guidelines promulgated by Dr. Weaver or his heirs.

Mr. Chairman, my district is not a metropolitan area. It does not want to be a metropolitan area. Moreover, it wishes to retain its own government and it wants no part of the effort to impose a new form of government on our local communities—a form of government controlled directly from Washington.

A little over a year ago, the House in its wisdom adopted an amendment that I offered to the HUD appropriation bill when it was before the House relating to the nonimplementation of section 204, title II, of the Model Cities Act, dealing with the requirement of areawide planning agencies as a condition precedent for receiving Federal money for any project in an area which has not conformed to areawide planning. This House then said by an overwhelming vote that such section 204 should not be put into effect on July 1 last. As a result, the Department did refrain from implementation of section 204 and as to other agencies has been admitted by some that that section is impractical. It appears to me, Mr. Chairman, that the time has come that we do directly that which we have been doing indirectly. We have prevented implementation of administration of section 204 by denying funds to the administering agency. The time has come to excise the root of the disease and to eliminate section 204 from the act once and for all.

Mr. BLACKBURN. Mr. Chairman, will the genteleman yield?

Mr. CRAMER. I yield to the gentleman from Georgia.

Mr. BLACKBURN. Mr. Chairman, is the gentleman aware that section 204 can be implemented not only with respect to the programs listed by the gentleman, but equally as to future programs which may be adopted?

Mr. CRAMER. That is absolutely correct. It is my understanding, and I think it certainly was not the intent of Congress.

They are giving this too broad an application. The only way to solve the problem is to repeal it, and at some future date consider some amendatory language preserving local control and eliminating duplicating planning.

(Mr. BLACKBURN asked and was permission to revise and extend his remarks.)

Mr. BLACKBURN. Mr. Chairman, I rise in support of the amendment by the gentleman from New Jersey [Mr. WIDNALL]. A little over a year ago, I was pleased to take the House floor in support of an amendment to the independent offices appropriation bill offered by the gentleman from Florida [Mr. CRAMER]. That amendment was more limited in scope than the one presently under discussion in that the parliamentary requirements were such that the Cramer amendment could only deny administrative funds for implementation of section 204. I was pleased that the House approved the Cramer amendment and I hope the House confirms its action of last year by supporting the Widnall amendment.

To be quite frank and with all due respect, I do not believe the House realized the power it granted to the Department of Housing and Urban Development in section 204 of the 1966 Housing Act. Although title II of that act was the subject of extensive dissent in the minority views accompanying that bill to the floor, the Congress never fully appreciated how far-reaching section 204 of that title really was. For a wide range of Federal-aid programs administered by other departments and agencies, the Secretary of Housing and Urban Development was placed in the position of being able to deny billions of Federal aid to local jurisdictions each and every year if his concept of comprehensive areawide planning was not fulfilled. In fact, section 204 of the 1966 Housing Act, by itself, made HUD a super department, with powers over local jurisdictions of government unequaled in the history of our Nation.

I join with my colleague from New Jersey in agreeing that there is a need for greater coordinated planning between local jurisdictions in metropolitan areas. The worst way to achieve this goal, however, is by granting to the Secretary of Housing and Urban Development a sledge hammer with which to influence virtually every decision of local government.

In recent months, declared presidential candidates in both parties, including the late Senator Kennedy, Senator McCARTHY, former Vice President Nixon, Governor Rockefeller, and former Governor Wallace, have agreed on one essential point—the great need facing our country today is revitalization of local government to bring government closer to the people. Section 204 is the antithesis of returning government to the people; instead it is aimed at vesting unprecedented power in appointed Federal officials whose views toward local, county, municipal, and State government, always have been and always will be condescending and based upon a complete lack of faith. Their view of local government in most cases was gained in the college classroom, without any of the firsthand experience which can only be gained through elective office.

While Congress has gone on record in support of the Cramer amendment denying appropriations for administration of section 204 by HUD, the Bureau of the Budget in a circular letter of December 18, 1967, has found many avenues available to executive departments for implementation of that section of Federal law. The Bureau of the Budget has officially requested all Federal departments and agencies administering programs covered by section 204 to administer its requirements without the need for administrative funds for this purpose being directly assigned to the Secretary of Housing and Urban Development. As a matter of fact, the Bureau of the Budget has greatly expanded the scope of section 204 in that on page 4 of its circular letter it is stated that the Bureau of the Budget will extend the coverage under the circular to such new or additional Federal-aid programs "as may be appropriate from time to time." In other words, instead of section 204 being restricted to open space, hospitals, airports, libraries, water supply and distribution facilities, sewage facilities and waste treatment works, highways, transportation facilities, and water development and land conservation projects, purely by administrative decision of the Bureau of the Budget any and all existing Federal-aid programs could be included within the requirements of section 204.

Mr. Chairman, section 204 poses one of the most potent threats to the future growth and responsibility of local government that has ever come to my attention.

I urge the House to support the Widnall amendment.

Mr. BARRETT. Mr. Chairman, I move to strike the requisite number of words.

Mr. Chairman, I am of the opinion that this amendment is acceptable. The program is in the individual appropriation bill. I think we should take it to the conference committee and see whether we could work together there.

Mr. BROCK. Mr. Chairman, will the gentleman yield?

Mr. BARRETT. I yield to the gentleman from Tennessee.

Mr. BROCK. Mr. Chairman, am I correct in assuming that this provision is in the Senate bill, so if we do not accept the Widnall amendment, it would not be in conference, so we must accept the Widnall amendment in order to have it subject to conference? Is that correct?

Mr. BARRETT. I think that is correct.

Mr. BROCK. May I assume that the gentleman is accepting the Widnall amendment?

Mr. BARRETT. Yes. We accept it.

The CHAIRMAN. The question is on the amendment offered by the gentleman from New Jersey [Mr. WIDNALL].

The amendment was agreed to.

AMENDMENT OFFERED BY MR. RANDALL

Mr. RANDALL. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. RANDALL: On page 116, line 25, after "activities", insert "including implementation of such plans".

(Mr. RANDALL asked and was given permission to revise and extend his remarks.)

Mr. RANDALL. Mr. Chairman, my amendment comes under title V which contains the planning provisions of the bill. For the first time we go beyond the metropolitan or urban areas and provide for planning in the unincorporated areas or rural areas.

At page 116 of H.R. 17989 it is interesting to note that it is specifically provided that in the exercise of his responsibilities under planning, the Secretary of Housing and Urban Development shall consult with the Secretray of Agriculture prior to his approval of any housing grants under those sections having to do with counties of a population of less than 50,000 or a group of adjacent communities which may be unincorporated.

The purpose of my amendment is to

add at the end of the last line of page 116, being line 25, following "other activities," the words "including implementation of such plans."

In my opinion there was an omission here which should be corrected. A metropolitan city or even a smaller city usually has an organizational setup which in most instances has existed for years and functioned smoothly. When planning has been completed, their staff proceeds to implement those plans by making the necessary applications. They actually use the engineering studies and make decisions as to when to apply for Federal assistance and in what amount. In the pursuit of grants and loans, a city is "geared up" and ready to move ahead when planning is completed.

On the other hand, in the rural areas, including the smaller counties and smaller cities, there is no such existing machinery for implementation. When planning is complete, what good are the plans and more plans and still more plans unless something comes from these plans? In the rural areas the board members of the planning commission are nearly always part-time men. One may be a local druggist. One may even be a grocer or perhaps a farmer or even a small-town banker, but in every instance these men devote only part time. It is difficult for them to take time from the job of earning their livelihood or working in their own business to implement those projects which have been through the planning stage. What would seem to be needed is what might be called a "grantsman" or a "local advocate."

My amendment is very simple and is offered purely as clarification and to make a legislative history by adding, following the words "other activities" the words "including implementation of such plans." I firmly believe that, while the planning provision of the new housing bill is a step in the right direction and, may I say, a giant step in such direction, it is in need of the clarification which my amendment will offer. I suppose planning might or could by implication include implementation, but the added words of my amendment are a safeguard to be certain that someone "down the street" or "downtown" in the executive branch does not conclude the word "planning" means only that, and might seek to stop the planning officials from working upon implementation of the plans.

I can think of no valid objections that could be raised against this amendment. If there are those who think such wording may not be needed, because it is the duty or the job of agency officials of the executive branch to assist in implementing projects once an application has been submitted, they should remember an agency official is limited in the amount of work that he can do for what might be described as the "other party." Housing Department employees and Farmers Home employees are in reality representatives sitting across the table from an applicant. It is not their job to perfect and polish the applications or to amend them. It is the job of the local applicant to do this work. Notwithstanding, applicants need help to implement the planning, and the rural areas do not have such help.

What is wrong with some assistance for those who would implement these programs? We do the very same thing in the agricultural extension service. These men working locally go about daily, seeking to implement existing Federal programs for the benefit of the farmers in the areas concerned. We are talking about the very same thing in terms of rural housing or local water districts or sewer districts or local industry.

Our comparison between the agricultural extension service and rural housing should be a realistic parallel, because the extension service is paid partly by the Federal Government, partly by the States, and partly by local funds or local Government in kind.

Any government employee would have a difficult, if not impossible, time performing the role of "grantsman" or "local advocate." He could be inhibited both by Department policies or in some instances by law. My amendment would clarify the situation. It should be adopted.

Mr. PATMAN. Mr. Chairman, will the gentleman yield?

Mr. RANDALL. I yield to the chairman of the committee.

Mr. PATMAN. I believe the gentleman's amendment is a good one. It is aimed toward the rural areas, because they are not in a position to do these things as the mayor of a city or a city manager is. Therefore, it will help.

I have talked with several members of the committee, and those on this side will accept the amendment. I hope the minority is willing to accept it.

Mr. WIDNALL. This is acceptable to the minority.

Mr. RANDALL. I thank the gentlemen.

Mr. PUCINSKI. Mr. Chairman, I move to strike the last word.

Mr. Chairman, at the conclusion of consideration of this bill I will offer an amendment which would apply to this title and to every title in the bill. I take this time to explain the amendment. I should like to get the views of the chairman of the committee on it. The amendment will simply state:

> No standard, rule, regulation, or requirement of general applicability prescribed by the Secretary under the authority of this Act may take effect (1) until 30 days after it is published in the Federal Register, and (2) unless interested persons are given an opportunity to participate in the formulation of such standard, rule, regulation, or requirement through the submission of views or arguments.

Simply stated, this is an antiguideline amendment.

Here is a bill before us which is 280 pages long. No legislative body could possibly foresee all the contingencies and all the problems that will come up in the administration of this bill.

That is why we have, through the Administrative Procedure Act, set up machinery whereby the administrators of these acts may promulgate rules and regulations to implement this legislation.

This amendment does not in any way interfere with the administration of this bill, but what it does is give all interested parties an opportunity to see what rules and regulations are being proposed by the administrator before they become effective.

I have seen in the past few years a new phenomenon develop in this Government, government by guidelines, where administrators of agencies publish guidelines, which no one ever sees before publication, and they become effective immediately upon distribution. There is no opportunity to comment on them. There is no opportunity to see whether or not the guidelines do in fact follow the spirit and intent of legislation passed by Congress.

These guidelines have now taken on the color of law. At least two judicial districts have already stated that guidelines, once they are issued by the administrator, take on the same full color of law as do other regulations. Yet no one has ever had an opportunity to comment on these guidelines before they have been issued.

Local community administrators mayors, and other interested parties can participate in the development of rules under this legislation or have an opportunity to discuss it and discuss the rules being promulgated by the administrator if we accept this provision.

Now, some will say that that is already the law, but you and I know the law is not being followed. We have the Administrative Procedures Act on the books now but obviously it is not being followed. You need only to study the tons of guidelines being issued by all agencies to see the truth of this statement. So. Mr. Chairman, I submit in a bill of 280 pages it is certainly not unreasonable to propose and to write into the law that all rules and regulations be promulgated by the administrator and the Secretary shall be first published in the Federal Register so that all interested parties may review and examine and see if they come within the purview and spirit of the act being debated here.

I have said time and time again that we have seen long and extensive debate on the floor of this House on what we think legislation ought to do and after it is enacted and the President signs it into law, administrators issue guidelines which go far afield of what Congress intended. I submit that very often any similarity between what the Congress intended and what the administrator published in his guidelines is purely coincidental. For that reason, Mr. Chairman, I submit in a bill as complicated as this, and as long as this, what we proposed to do here by this amendment is to bring some order into it so that interested parties will have a chance to see what the rules and regulations are that are being promulgated under this act.

Mr. BROCK. Mr. Chairman, will the gentleman yield?

Mr. PUCINSKI. I am glad to yield to the gentleman from Tennessee.

Mr. BROCK. Mr. Chairman, I would like to compliment the gentleman on the amendment. Both the intent and the effect are salutary, and I will support it.

Mr. GROSS. Mr. Chairman, will the gentleman yield?

Mr. PUCINSKI. I am glad to yield to the gentleman from Iowa.

Mr. GROSS. That is quite an indictment the gentleman has just made of the operation of the Great Society. I am glad to have a Democrat confirm what many of us have suspected for a long time.

Mr. PUCINSKI. Mr. Chairman, I would like the gentleman from Iowa to know that the trend toward government by guidelines originated long before the present administration. We have seen administrators as early as the Eisenhower days take on the job of government by guidelines.

Mr. Chairman, I would like to have an expression from the chairman of the committee on the merits of the amendment.

Mr. PATMAN. Mr. Chairman, will the gentleman yield?

Mr. PUCINSKI. I am glad to yield.

Mr. PATMAN. Of course, if there is anything in this act which applies to the Administrative Procedure Act, the procedure that the gentleman outlined would be mandatory, anyway. As far as agreeing to that, I do not think I can agree to it. It would be too much like going back from the modern jet age to the horse-and-buggy days. There would be too much redtape involved and it would be too cumbersome.

Mr. PUCINSKI. The gentleman is suggesting it is all right for administrators of agencies to promulgate rules and regulations which in many instances are contrary to what the Congress intended? I do not believe Congress wants to delegate its responsibilities to administrators without some safeguards. We passed the Administrative Procedure Act because we realize that it is impossible for Congress to write legislation which would foresee every contingency in the implementation of the act. That is why, in the APA, Congress said that, when an administrator takes on the duty of implementing legislation passed by Congress, he must publish the proposed rules so that Members of Congress and other interested parties can ascertain that the proposed rules are consistent with the intent of Congress. If they are not, we have 30 days to make our views known before the rules become effective. My amendment would not be necessary if administrators would follow the provisions of the APA. But they do not and that is why the added protection of this amendment is needed.

The CHAIRMAN. The time of the gentleman from Illinois has expired.

The question is on the amendment offered by the gentleman from Missouri [Mr. RANDALL].

The amendment was agreed to.

AMENDMENT OFFERED BY MR. WILLIAMS OF PENNSYLVANIA

Mr. WILLIAMS of Pennsylvania. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. WILLIAMS of Pennsylvania: On page 108, line 2, strike out all of sections 501 and 502 through line 6 on page 124.

(Mr. WILLIAMS of Pennsylvania asked and was given permission to revise and extend his remarks.)

Mr. WILLIAMS of Pennsylvania. Mr. Chairman, the only thing this amendment would do is to leave the planning laws as they were written in the 1965 HUD bill stand as they are. We have heard some comments today about surgeons trying to operate on this bill. However, under the 1965 HUD requirements every standard metropolitan statistical unit or area was required to have a comprehensive continuing planning process in operation. This operation had to be approved by HUD. Most of the SMSA's around the country have just about now reached a point where they have a planning process in operation which is approved by HUD. They have to have this approved planning process on a regional basis or they are not eligible for HUD grants.

Mr. Chairman, take, for instance, the greater Philadelphia area where the Delaware Valley Regional Planning Commission was established which is taking care of the planning for nine counties, five counties in Pennsylvania and four counties in New Jersey.

It was only approximately the middle of 1967 that the Delaware Valley Regional Planning Commission was approved by HUD.

Mr. PATMAN. Mr. Chairman, will the gentleman yield?

Mr. WILLIAMS of Pennsylvania. I yield to the gentleman from Texas.

Mr. PATMAN. No. The rural areas are still carrying out plans under this proposal.

Mr. WILLIAMS of Pennsylvania. I am for the requirements as set up in the 1965 Housing and Urban Development Act. And I want to say this to you, that right now many of the standard metropolitan statistical areas have just reached the point where they are able to comply with the 1965 requirements.

Now, Mr. Chairman, to change the guidelines and to permit the Secretary of the Department of Housing and Urban Development to set up new guidelines in these various districts and regions would create national confusion. What we would really have is planning layer upon planning layer.

The only thing this amendment would do is continue the existing law and would permit the regional districts to continue the efforts which they have already undertaken under the old act, and there is $265 million available in this bill for continued planning grants.

Mr. RANDALL. Mr. Chairman, will the gentleman yield?

Mr. WILLIAMS of Pennsylvania. I yield to the gentleman from Missouri.

(Mr. RANDALL asked and was given permission to revise and extend his remarks.)

Mr. RANDALL. I want to make it very clear it was not the intention of my amendment to eliminate any assistance to the rural areas. On the other hand, my amendment was an effort to open the door for the unincorporated areas and rural areas to obtain assistance in the implementation of their plans. It is my opinion it does no good to plan and plan some more and then still more planning unless some action follows in terms of implementation of plans. That was the intention of my amendment, and I hope it may not be misunderstood.

Mr. WILLIAMS of Pennsylvania. My intention is to leave the existing law in effect in most of the metropolitan and regional areas, and if this is not corrected by the House of Representatives, then they have tried in vain for at least a period of 3 years to comply therewith.

Mr. Chairman, we are coming in here trying to change the guidelines at this late date in the various regional areas and, therefore, these areas will not be approved for sewer and water grants, for instance, if this is done.

So, Mr. Chairman, it is the intent of my amendment to correct this situation.

Mr. BARRETT. Mr. Chairman, I rise in opposition to the amendment.

(Mr. BARRETT asked and was given permission to revise and extend his remarks.)

Mr. BARRETT. Mr. Chairman, in the gentleman's generosity he strikes out both sections 501 and 502. This strikes out all the areawide district planning, all the comprehensive planning money.

Mr. Chairman, the gentleman says he wants to go back to the existing law. We are moving rapidly in the field of housing planning, in the field of transportation, and in other fields. These are all adjuncts to this comprehensive planning.

Mr. Chairman, I hope the Members of the House will vote down this amendment without too much discussion.

Mr. WILLIAMS of Pennsylvania. Mr. Chairman, will the gentleman yield?

Mr. BARRETT. I yield to the gentleman from Pennsylvania.

Mr. WILLIAMS of Pennsylvania. Mr. Chairman, I would like to say that I believe this Congress knew what it was doing in 1965 when it passed the planning requirements for the 1965 HUD Act.

Mr. Chairman, right now in the major metropolitan regions and even in some of the minor metropolitan areas we have planning processes functioning today. They are doing an excellent job on planning for transportation, housing, for adequate sewer and water facilities and most everything else. But if we are going to change the guidelines at this late date as are contained in this bill, then all of these organizations will have to change their internal structures and, therefore, they will not be in a position to go into the planning of the type which is contemplated here in this bill and would further delay their efforts.

It has taking two and a half years in the Philadelphia area to set up an approved comprehensive continuous regional planning function approved by Housing and Urban Development.

Mr. BARRETT. I would tell the gentleman from Pennsylvania, that I too have had this experience, a gentleman came down from Harrisburg on community planning seeking help from the Congress both on the Democrat and Republican sides to get money for planning. I just cannot——

Mr. WILLIAMS of Pennsylvania. If the gentleman will yield further, is it not——

Mr. BARRETT. If the gentleman will excuse me, I have yielded most of my time.

I just cannot comprehend how the distinguished, lovable Member from Pennsylvania even goes against his own State administration. They need this money as well as New Jersey needs it. They need this money as well as every areawide and district area needs comprehensive planning. The gentleman now is asking to cut out every dollar in sections 501 and 502.

Mr. WILLIAMS of Pennsylvania. That is totally inaccurate. My amendment leaves $265 million for planning plans in there. We are not taking a penny of the money out.

Mr. BARRETT. That is the money that is already committed that the gentleman is leaving in here.

Mr. WILLIAMS of Pennsylvania. No. This is the increased authorization in the bill; my amendment does not remove that.

Mr. BARRETT. The gentleman is absolutely cutting it out of here; the gentleman wants to stand still. He does not want to go ahead.

Mr. WILLIAMS of Pennsylvania. I am not taking away planning grants.

Mr. BARRETT. Mr. Chairman, I ask for a vote on the amendment.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Pennsylvania [Mr. WILLIAMS].

The amendment was rejected.

[Mr. O'HARA of Michigan addressed the Committee. His remarks will appear hereafter in the Extensions of Remarks.]

Mr. DOW. Mr. Chairman, I rise in support of sections 504 and 505 which pertain to basic water and sewer facilities.

I am highly pleased that this bill offers the House an opportunity to increase the level of money authorized from the previous $200 million to $500 million annually. I was the first Member of this Congress to introduce a bill to that effect, and strongly support its purpose today.

Sewers under the program before the House today are lateral sewers and basic water facilities. Moneys authorized for this section 702 program have been woefully inadequate in the past.

When I came to Congress there was already a hue and cry about pollution. It was a subject of increasing national concern. These problems have not abated; they have only increased.

The established needs and demands for this program far exceed the amount which has been provided in the past, and even that amount which is before the House today; $500 million is the minimum necessary to do an adequate job and cannot be ignored at this time. I am glad that this amount is authorized for fiscal years 1969 and 1970.

At the time I introduced my bill I learned that the dollars applied for under the law provided for lateral sewers and basic water systems totaled 26 times the number of dollars appropriated. Many of the older communities in my District are suffering painfully in their antipollution programs as a result of the small amount of money available for lateral sewers.

Section 504 of the bill changes the date for a community's water and sewer program from July 1, 1968 to October 1, 1969. This amendment is necessary to insure continued eligibility. It extends the time under which a program must be under preparation, to October 1, 1969.

A committee report indicates that failure to extend the deadline date will require disapproval of projects for an estimated 50 to 60 percent of all urban areas. The additional time provided here should provide enough latitude for communities to reach a level of planning needed to meet the intent of the Housing and Urban Development Act.

The CHAIRMAN. If there are nor further amendments to title V, the Clerk will read.

The Clerk read as follows:

TITLE VI—URBAN MASS TRANSPORTATION

GRANT AUTHORIZATIONS

SEC. 601. (a) Section 4(b) of the Urban Mass Transportation Act of 1964 is amended (1) by striking out the word "and" where it first appears in the first sentence, and (2) by inserting before the period at the end of the first sentence "; and $190,000,000 for fiscal year 1970".

(b) Section 6(c) of such Act is amended (1) by striking out "$50,000,000" and inserting in lieu thereof "$56,000,000", and (2) by inserting at the end thereof the following: "On or after July 1, 1969, the Secretary may make available to finance projects under this section such additional sums out of the grant authorization provided in section 4(b) as he deems appropriate."

DEFINITION OF MASS TRANSPORTATION

SEC. 602. Section 12(c)(5) of the Urban Mass Transportation Act of 1964 is amended to read as follows:

"(5) the term 'mass transportation' means transportation by bus, rail, or other conveyance, either publicly of privately owned, which provides to the public general or special service (but not including school buses or charter or sightseeing service) on a regular and continuing basis."

EXTENSION OF EMERGENCY PROGRAM UNDER THE URBAN MASS TRANSPORTATION ACT

SEC. 603. Section 5 of the Urban Mass Transportation Act of 1964 is amended by striking out "November 1, 1968" and inserting in lieu thereof "October 1, 1969".

NON-FEDERAL SHARE OF NET PROJECT COST

SEC. 604. (a) Section 4(a) of the Urban Mass Transportation Act of 1964 is amended by striking out the last sentence and inserting in lieu thereof the following: "The remainder of the net project cost shall be provided, in cash, from sources other than Federal funds. Not more than 50 per centum of such remainder may be provided from other than public sources, and any public or private transit system funds shall be provided solely from undistributed cash surpluses, replacement or depreciation funds or reserves available in cash, or new capital; except that in cases of demonstrated fiscal inability of an applicant actively engaged in preparing and effectuating a program for a unified or officially coordinated urban transportation system as part of the comprehensively planned development of the urban area, such remainder may be provided from other than public sources No refund or reduction of the remainder of the net project cost shall be made at any time unless there is at the same time a refund of a proportional amount of the Federal grant."

(b) Section 5 of such Act is amended by striking out the last sentence and inserting in lieu thereof the following: "The remainder of the net project cost shall be provided, in cash, from sources other than Federal funds. Not more than 50 per centum of such remainder may be provided from other than public sources, and any public or private transit system funds shall be provided solely from undistributed cash surpluses, replacement or depreciation funds or reserves available in cash, or new capital; except that in cases of demonstrated fiscal inability of an applicant actively engaged in preparing and effectuating a program for a unified or officially coordinated urban transportation system as part of the comprehensively planned development of the urban area, such remainder may be provided from other than public sources. No refund or reduction of the remainder of the net project cost shall be made at any time unless there is at the same time a refund of a proportional amount of the Federal grant."

AMENDMENT OFFERED BY MR. HALL

Mr. HALL. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. HALL: On page 131, after line 9, insert the following new section:

"LABOR STANDARDS

"SEC. 605. Section 13(c) of the Urban Mass Transportation Act of 1964 is amended by adding at the end thereof the following new sentence: 'The specific provisions required by the second and third sentences of this subsection may be waived, in the case of a public transportation system which has been a public system continuously since before July 9, 1964, to the extent that the Secretary of Transportation find that the inclusion of s ch provisions in the protective arrangements is not feasible in the case of such system.' "

(Mr. HALL asked and was given permission to revise and extend his remarks.)

Mr. HALL. Mr. Chairman, the amendment I have offered is a very simple one which I hope the committee will see fit to accept. It provides that the Secretary of Transportation shall have the authority to waive the provisions of section 13(c) of the Mass Transit Act of 1964, in those cases where a public transportation system has been a public system continuously since before the enactment of the Mass Transit Act of 1964. It is permissive, only.

Members will recall that section 13(c) was a highly controversial amendment that was adopted as the price demanded by labor for its support of this act. Specifically the proponents wanted to be sure that no rights of union members would be jeopardized by the takeover of a privately owned system subsequent to passage of the act. They wanted to be sure that no union member might be displaced, his job lost, or his wages reduced as a result of a Federal grant improving or changing the nature of a local transportation system. To be sure that these rights were protected, section 13(c) in effect gave the Secretary of Labor the power to veto a Federal grant, if he felt these prior rights might be adversely affected in the event of a takeover. In practice it has not been the Secretary of Labor who has made this determination, but the officials of the International Amalgamated Transit Workers' Union. They are the ones who negotiate, who seek new contracts or changes in existing contracts. If they are satisfied, the Secretary of Labor is satisfied.

Nowhere has the intent of section 13(c) been more grossly violated than in the case of those cities, such as Springfield, Mo., where the transportation system has been municipally owned for more than 23 years, but yet where the Secretary of Labor has treated Springfield in the same facet as though it were a current or recent takeover situation. The Springfield story is aptly reflected on pages 791 through 824 of part II of the hearings before the Subcommittee on Housing.

Springfield City Utilities applied for a grant in January 1967. The sole purpose of the grant was to assist in the purchase of 16 new—replacement—35-passenger air-conditioned buses, and for the purchase and installation of six additional air-conditioning units on buses already owned. The application went through the usual procedure and there is ample evidence that the Urban Transportation Administration, the Department of Housing and Urban Development, was ready, willing and able to give its approval. But the representative of the International union tried to use this application as a blackjack to force the city to sign a collective bargaining agreement, something the city is prohibited from doing under Missouri State law, a prohibition upheld by a Missouri Supreme Court decision, Glidewell against Hughey.

Mr. ST GERMAIN. Mr. Chairman, will the gentleman yield?

Mr. HALL. I yield to the gentleman from Rhode Island.

Mr. ST GERMAIN. If that is the case, why is it the city of St. Louis had a grant and qualified under section 13(c)?

Mr. HALL. The answer to the gentleman's question is very simple, and I am glad he asked it. The city of St. Louis and the city of East St. Louis, Ill., operate under a compact that does not come under the Missouri State law.

Mr. ST GERMAIN. St. Louis is in Missouri.

Mr. HALL. St. Louis is in Missouri and East St. Louis is in Illinois. They have a transportation compact, and this was brought out, as the gentlewoman from St. Louis on your committee will aver.

Nowhere was a serious case ever made that any employee of Springfield city utilities would be deprived of any rights he now possesses by the approval of this grant. In fact a strong case could be made that employees will suffer from the absence of these air-conditioned units. Springfield is asking for equipment which will permit them to hire more employees to operate equipment under more comfortable conditions than now exist. These units will encourage greater use of local mass transit by the public, and presumably help lift the transit system out of the red, thereby enhancing chances for improved pay and working conditions. Under Missouri law, employees of the municipally owned system do not now have collective bargaining rights, so how on earth could it be said that they may lose a right which does not now presently exist.

The CHAIRMAN. The time of the gentleman from Missouri has expired.

(By unanimous consent, Mr. HALL was allowed to proceed for 3 additional minutes.)

Mr. HALL. The fact is that terms of pay, working conditions, and so forth, are established by resolution of the board of city utilities and affirmed by resolution of the Springfield City Council. Even if an arbitration agreement were entered into it could be reversed the next day or the next week by a simple resolution. The fact is that Springfield City Utilities does bargain informally with representatives of the local union, and then the terms of that informal agreement are incorporated into working rules and pay schedules, which are adopted by resolution. But, it is not, and indeed under Missouri law cannot, be binding, because there is no formal contract. This is what the international union seeks and it has used the high office of the Secretary of Labor to try to accomplish by blackmail that which it cannot otherwise accomplish.

I know that some of my colleagues have had similar experiences in their districts and there are statements in the hearing record to that effect—page 792—as well as the CONGRESSIONAL RECORD for October 14, 1966.

I think a good case could be made for eliminating section 13(c) altogether, but I recognize that this is not the time to open Pandora's box all over again. Mr. Chairman, I wish to affirm the cooperation and aid of the chairman and subcommittee chairman in the last 2 years in trying to work this paradoxical situation out. This is why we did not press the corrective amendment. But now even they admit no further replies or cooperation from the Secretary of Labor. Therefore, I have offered a simple and modified amendment to give the Secretary of HUD discretionary authority to act when it is clear that there is no takeover issue involved and that no rights should be guaranteed which did not previously exist before passage of the Mass Transit Act. There probably are very few cities where this situation exists. Springfield, Mo., is one of them; there may be others. I hope that justice will be done and I urge the adoption of my amendment.

Mr. ST GERMAIN. Mr. Chairman, I rise in opposition to the amendment.

Mr. Chairman, when I listened to this amendment it put me in mind of the general practitioner referring a patient with a heart condition to an obstetrician or a pediatrician, because here is an amendment which takes authority away from the Secretary of Labor under section 13(c), which is designed to protect the worker's rights.

Now, out of 139 applications for help under the Mass Transit Act, which was passed in 1964, there has been a problem in three instances, one in Springfield, Mo., one in the State of Washington, and one in the State of Texas. In the State of Texas and in the State of Washington and in the State of Missouri, other cities have qualified under the act and have qualified under section 13(c).

Certainly I think the Congress in its wisdom inserted and included section 13(c) to see to it that workers' rights would be protected.

If the community that has a transit system wants Federal help, I think the community should comply with the requirements of the Congress. I do not think the Congress should be required to comply with the desires of a single community in these United States of America.

Therefore, Mr. Chairman, I urge the Members to reject this amendment, which is a toehold, which is an opening, which is a beginning toward denying workers the rights they have earned over a long period of years.

It was not the labor unions, Mr. Chairman, who put this section 13(c) in. It was those of us Members of Congress who realized that it is not our function at any time under Federal legislation to deny workers rights they have earned over a long period of years. I do hope the House will reject the amendment.

Mr. O'HARA of Michigan. Mr. Chairman, will the gentleman yield?

Mr. ST GERMAIN. I yield to the gentleman from Michigan.

Mr. O'HARA of Michigan. Mr. Chairman, as I understand the amendment, it would apply to only the one community. Is that correct?

Mr. ST GERMAIN. This is the only community in the entire country that I am aware of that has this problem.

Mr. O'HARA of Michigan. Presently the Secretary of Labor, as I recall the original legislation, has the authority to make these determinations. Is that correct?

Mr. ST GERMAIN. To make the determinations on whether or not there is this compliance with 13(c) which protects the workers' rights.

Mr. O'HARA of Michigan. The gentleman from Missouri would say, however, that with respect to those that have been continuously public systems since before July 9, 1964—and presumably only with respect to this kind of system—the Secretary of Housing and Urban Development would make the determination?

Mr. ST GERMAIN. I do not know whether it is HUD or the Secretary of Transportation, but in either case, it is as I said in my earlier remarks.

Mr. O'HARA of Michigan. Mr. Chairman, how does HUD get into this? I thought the Department of Transportation was now administering the program.

Mr. ST GERMAIN. That is correct. It is like referring the heart patient to the obstetrician or the pediatrician.

Mr. O'HARA of Michigan. Mr. Chairman, I think it is compounding the bureaucracy, and it is not going to do any good. I hope the amendment is defeated.

Mr. ST GERMAIN. Mr. Chairman, I thank the gentleman.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Missouri [Mr. HALL].

The question was taken; and on a division (demanded by Mr. HALL) there were—ayes 31, noes 40.

Mr. HALL. Mr. Chairman, I demand tellers.

Tellers were ordered, and the Chairman appointed as tellers Mr. HALL and Mr. PATMAN.

The Committee again divided, and the tellers reported that there were—ayes 82, noes 89.

So the amendment was rejected.

The CHAIRMAN. Are there any further amendments to be offered to title VI? If not, the Clerk will read.

The Clerk read as follows:

TITLE VII—SECONDARY MORTGAGE MARKET

PURPOSE

SEC. 701. The purposes of this title include the partition of the Federal National Mortgage Association as heretofore existing into two separate and distinct corporations, each of which shall have continuity and corporate succession as a separated portion of the previously existing corporation. One of such corporations, to be known as Federal National Mortgage Association, will be a Government-sponsored private corporation, will retain the assets and liabilities of the previously existing corporation accounted for under section 304 of the Federal National Mortgage Association Charter Act, and will continue to operate the secondary market operations authorized by such section 304. The other, to be known as Government National Mortgage Association, will remain in the Government, will retain the assets and liabilities of the previously existing corporation accounted for under sections 305 and 306 of such Act, and will continue to operate the special assistance functions and management and liquidating functions authorized by such sections 305 and 306.

AMENDMENTS TO THE FEDERAL NATIONAL MORTGAGE ASSOCIATION CHARTER ACT

SEC. 702. (a) The heading of title III of the National Housing Act is amended by striking out "FEDERAL NATIONAL MORTGAGE ASSOCIATION" and inserting in lieu thereof "NATIONAL MORTGAGE ASSOCIATIONS".

(b) Section 301 of such Act is amended—

(1) by striking out "in the Federal Government a";

(2) by striking out "facility for" and inserting in lieu thereof "facilities for";

(3) by striking out "of such facility" and inserting in lieu thereof "thereof";

(4) by striking out "facility to" and inserting in lieu thereof "facilities to"; and

(5) by striking out "the existing mortgage portfolio of the Federal National Mortgage Association" and inserting in lieu thereof "federally owned mortgage potfolios".

(c) Section 302(a) of such Act is amended—

(1) by inserting "(1)" immediately following "(a)";

(2) by striking out "(hereinafter referred to as the 'Association')"; and

(3) by adding at the end thereof the following new paragraph:

"(2) On the effective date established pursuant to section 708 of the Housing and Urban Development Act of 1968, the body corporate described in the foregoing paragraph shall cease to exist in that form and is hereby partitioned into two separate and distinct bodies corporate, each of which shall have continuity and corporate succession as a separated portion of the previously existing body corporate, as follows:

"(A) One of such separated portions shall be a body corporate without capital stock to be known as Government National Mortgage Association (hereinafter referred to as the 'Association'), which shall be in the Department of Housing and Urban Development and which shall retain the assets and liabilities acquired and incurred under sections 305 and 306 prior to such effective date, including any and all liabilities incurred pursuant to section 302(c). The Association shall have succession until dissolved by Act of Congress. It shall maintain its principal office in the District of Columbia and shall be deemed, for purposes of venue in civil actions, to be a resident thereof. Agencies or offices may be established by the Association in such other place or places as it may deem necessary or appropriate in the conduct of its business.

"(B) The other such separated portion shall be a body corporate to be known as Federal National Mortgage Association (hereinafter referred to as the 'corporation'), which shall retain the assets and liabilities acquired and incurred under sections 303 and 304 prior to such effective date. The corporation shall have succession until dissolved by Act of Congress. It shall maintain its principal office in the District of Columbia and shall be deemed, for purposes of venue in civil actions, to be a resident thereof.".

(d) Section 302(b) of such Act is amended—

(1) by striking out "the Association is authorized" and inserting in lieu thereof "each of the bodies corporate named in subsection (a)(2) is authorized";

(2) by striking out "lend (under section 304) on the security of,";

(3) by inserting immediately before the colon in the first sentence "; and the corporation is authorized to lend on the security of any such mortgages and to purchase, sell, or otherwise deal in any securities guaranteed by the Association under section 306(g)"; and

(4) by striking out "no mortgage may be purchased" and inserting in lieu thereof "the Association may not purchase any mortgage".

(e) Section 302(c)(1) of such Act is amended by striking out ", consistent with section 307,".

(f) Section 302(c)(2)(C) of such Act is amended to read as follows:

"(C) The Department of Housing and Urban Development.".

(g) Section 302(c)(2) of such Act is amended by striking out "incurred by the Federal National Mortgage" and inserting in lieu thereof "incurred by the ".

(h) The heading of section 303 of such Act is amended to read as follows: "CAPITALIZATION—FEDERAL NATIONAL MORTGAGE ASSOCIATION".

(i) Section 303 (a) of such Act is amended—

(1) by striking out "nonvoting common stock" and inserting in lieu thereof "common stock, without par value, which shall be vested with all voting rights, each share being entitled to one vote with rights of cumulative voting at all elections of directors";

(2) by striking out "nonvoting preferred stock" and inserting in lieu thereof "nonvoting preferred stock, with a par value of $100 per share,";

(3) by striking out the second and third sentences thereof and inserting in lieu thereof "The free transferability of the common stock at all times to any person, firm, corporation, or other entity shall not be restricted except that, as to the corporation, it shall be transferable only on the books of the corporation.";

(4) by striking out "of the capital surplus and the general surplus accounts";

(5) by striking out "retire" and inserting in lieu thereof "retire, at par,"; and

(6) by striking out "the Association shall deem feasible" and inserting in lieu thereof "possible subsequent to the effective date established pursuant to section 708 of the Housing and Urban Development Act of 1968".

(j) Section 303(b) of such Act is amended—

(1) by striking out "for its services" and inserting in lieu thereof ", which may be regarded as elements of pricing,"; and

(2) by striking out the last sentence.

(k) Section 303(c) of such Act is amended—

(1) by striking out "(only in denominations of $100 or multiples thereof)";

(2) by inserting immediately after the first sentence the following: "In addition to the shares of common stock issued under the foregoing sentence, the corporation may issue additional shares in return for appropriate payments into capital or capital and surplus. The corporation shall at all times require each servicer of its mortgages to own a minimum amount of common stock of the corporation, measured by its stated value. Such minimum amount shall not exceed 2 per centum, as determined from time to time by the corporation with the approval of the Secretary of Housing and Urban Development, of the aggregate outstanding principal balances of all mortgages of the corporation which have been purchased subsequent to the effective date established pursuant to section 708 of the Housing and Urban Development Act of 1968 and which are then serviced by such servicer for the corporation."; and

(3) by striking out "the general surplus account of the Association shall not be reduced through the payment of dividends applicable to such common stock which exceed in the aggregate 5 per centum of the par value of the outstanding common stock of the Association" and inserting in lieu thereof "the aggregate amount of cash dividends paid on account of any share of such stock shall not exceed any rate which may be determined from time to time by the Secretary of Housing and Urban Development to be a fair rate of return after consideration of the current earnings and capital condition of the corporation".

(l) Section 303(d) of such Act is amended by striking out "$225,000,000" and inserting in lieu thereof "$225,000,000; but no such stock may be issued subsequent to the effective date established pursuant to section 708 of the Housing and Urban Development Act of 1968".

(m) Section 303(f) of such Act is amended by striking out "contributions, and" and inserting in lieu thereof "contributions, to purchase additional shares of such stock, and".

(n) Section 303(g) of such Act is repealed.

(o) The heading of section 304 of such Act is amended to read as follows: "SECONDARY MARKET OPERATIONS—FEDERAL NATIONAL MORTGAGE ASSOCIATION".

(p) Section 304(a)(1) of such Act is amended by striking out "and the Association shall not purchase any mortgage insured or guaranteed prior to the effective date of the Housing Act of 1954".

(q) Section 304(b) of such Act is amended by striking out "earnings, and in" and inserting in lieu thereof "earnings unless a greater ratio shall be fixed at any time or from time to time by its board of directors. In".

(r) Section 304(c) of such Act is amended by striking out "(1) all of the preferred stock of the Association held by the Secretary of the Treasury has been retired, or (2)".

(s) Sections 303 and 304 of such Act, as amended by the foregoing subsections of this section, are further amended—

(1) by striking out "Association" each place it appears and inserting in lieu thereof, in each such place, "corporation"; and

(2) by striking out "Association's" each place it appears and inserting in lieu thereof, in each such place, "corporation's".

(t) The heading of section 305 of such Act is amended to read as follows: "SPECIAL ASSISTANCE FUNCTIONS—GOVERNMENT NATIONAL MORTGAGE ASSOCIATION".

(u) The heading of section 306 of such Act is amended to read as follows: "MANAGEMENT AND LIQUIDATING FUNCTIONS—GOVERNMENT NATIONAL MORTGAGE ASSOCIATION".

(v) Subsections (a) and (b) of section 307 of such Act are repealed.

(w) Section 307 of such Act is further amended—

(1) by striking out "SEC. 307.";

(2) by striking out "(c) All of the benefits and burdens incident to the administration of" and inserting in lieu thereof the following:

"SEC. 307. All of the benefits and burdens incident to the administration of"; and

(3) by striking out "board of directors of the Association" and inserting in lieu thereof "Secretary of Housing and Urban Development".

(x) The heading of section 308 of such Act is amended to read as follows: "MANAGEMENT".

(y) Section 308 of such Act is amended—

(1) by inserting "(a)" immediately following "308";

(2) by striking out the first two sentences and inserting in lieu thereof "All the powers and duties of the Government National Mortgage Association shall be vested in the Secretary of Housing and Urban Development and the Association shall be administered under the direction of the Secretary.";

(3) by striking out "the board shall determine" and inserting in lieu thereof "the Secretary shall determine";

(4) by striking out "Association. The chairman of the board" and inserting in lieu thereof "Association, and shall have power to adopt, amend, and repeal bylaws governing the performance of the powers and duties granted to or imposed upon it by law. The Secretary";

(5) by striking out "by the board of directors," and inserting in lieu thereof "by the Secretary,";

(6) by striking out the last sentence; and

(7) by adding at the end thereof the following new subsection:

"(b) The Federal National Mortgage Association shall have a board of directors which shall consist of fifteen persons, one-third of whom shall be appointed annually by the President of the United States, and the remainder of whom shall be elected annually by the common stockholders. The board shall at all times have us as members appointed by the President at least one person from the homebuilding industry, at least one person from the mortgage lending industry, and at least one person from the real estate industry. Each member of the board of directors shall be appointed or elected for a term ending on the date of the next annual meeting of the stockholders, except that any such member may be removed from office by the President for good cause. Any elective seat on the board which becomes vacant after the annual election of the directors shall be filled by the board, but only for the unexpired portion of the term. Any appointive seat which becomes vacant shall be filled by appointment of the President, but only for the unexpired portion of the term. Within the limitations of law and regulation, the board shall determine the general policies which shall govern the operations of the corporation, and shall have power to adopt, amend, and repeal bylaws governing the performance of the powers and duties granted to or imposed upon it by law. The board of directors shall select and effect the appointment of qualified persons to fill the offices of president and vice president, and such other offices as may be provided for in the bylaws. Any member of the board who is a full-time officer or employee of the Federal Government shall not, as such member, receive compensation for his services."

(z) Section 309(a) of such Act is amended—

(1) by striking out "The Association" and inserting in lieu thereof "Each of the bodies corporate named in section 302(a)(2)";

(2) by striking out "by its board of directors, to adopt, amend, and repeal bylaws governing the performance of the powers and duties granted to or imposed upon it by law;";

(3) by striking out "conduct its business" and inserting in lieu thereof "conduct its business without regard to any qualification or similar statute";

(4) by striking out 'the Association may deem" and inserting in lieu thereof "it may deem"; and

(5) by striking out "the purposes of the Association" and inserting in lieu thereof "its purposes".

(aa) Section 309(c) of such Act is amended—

(1) by striking out "(1)";

(2) by striking out "The Association" and inserting in lieu thereof "(1) The Association";

(3) by striking out ", and (2) the Association shall, with respect to its secondary market operations under section 304 after the cutoff date referred to in section 303(d) of this title, pay annually to the Secretary of the Treasury, for covering into miscellaneous receipts, an amount equivalent to the amount of Federal income taxes for which it would be subject if it were not exempt from such taxes with respect to such secondary market operations"; and

(4) by adding at the end thereof the following new paragraph:

"(2) The corporation, including its franchise, capital, reserves, surplus, mortgages or other security holdings, and income, shall be exempt from all taxation now or hereafter imposed by any State, territory, possession, Commonwealth, or dependency of the United States, or by the District of Columbia, or by any county, municipality, or local taxing authority, except that any real property of the corporation shall be subject to State, territorial, county, municipal, or local taxation to the same extent as other real property is taxed."

(bb) Section 309(d) of such Act is amended—

(1) by inserting "(1)" immediately following "(d)";

(2) by striking out "Chairman of the Board" and inserting in lieu thereof "Secretary of Housing and Urban Development";

(3) by striking out "agents," and inserting in lieu thereof "agents of the Association,"; and

(4) by adding at the end thereof the following new paragraph:

"(2) The board of directors of the corporation shall have the power to select and appoint or employ such officers, attorneys, employees, and agents, to vest them with such powers and duties, and to fix and to cause the corporation to pay such compensation to them for their services, as it may determine; and any such action shall be without regard to the Federal civil service and classification laws. Appointments, promotions, and separations so made shall be based on merit and efficiency, and no political test or qualification shall be permitted or given consideration. Each officer and employee of the corporation who is employed by the corporation prior to the termination of the transitional period referred to in section 710(b) of the Housing and Urban Development Act of 1968 and who on the day previous to the beginning of such employment will have been subject to the civil service retirement law (subch. III of ch. 83 of title 5, United States Code) shall, so long as his employment by the corporation continues without a break in continuity of service, continue to be subject to such law; and for the purpose of such law his employment by the corporation without a break in continuity of service shall be deemed to be employment by the Government of the United States. The corporation shall contribute to the Civil Service Retirement and Disability Fund a sum as provided by section 8334(a) of title 5, United States Code, except that such sum shall be determined by applying to the total basic pay (as defined in 5 U.S.C. 8331(3) and except as hereinafter provided) paid to the employees of the corporation who are covered by the civil service retirement law, the per centum rate determined annually by the United States Civil Service Commission to be the excess of the total normal cost per centum rate of the civil service retirement system over the employee deduction rate specified in section 8334(a) of title 5, United States Code. The corporation shall also pay into the Civil Service Retirement and Disability Fund such portion of the cost of administration of the fund as is determined by the United States Civil Service Commission to be attributable to its employees. Notwithstanding the foregoing provisions, there shall not be considered for the purposes of the civil service retirement law that portion of the basic pay in any one year of any officer or employee of the corporation which exceeds the basic pay provided for in section 5312 of title 5, United States Code, on the last day of such year. Except as provided in this subsection, the corporation shall not be subject to the provisions of title 5, United States Code."

(cc) Section 309(e) of such Act is amended—

(1) by striking out "body corporate created by section 302" and inserting in lieu thereof "bodies corporate named in section 302(a)(2)";

(2) by inserting ", 'Government National Mortgage Association'," immediately following "'Federal National Mortgage Association'"; and

(3) by striking out the second sentence and inserting in lieu thereof the following: "Violations of the foregoing sentence may be enjoined by any court of general jurisdiction at the suit of the proper body corporate. In any such suit, the plaintiff may recover any actual damages flowing from such violation, and, in addition, shall be entitled to punitive damages (regardless of the existence or nonexistence of actual damages) of not exceeding $100 for each day during which such violation is committed or repeated."

(dd) Section 309(g) of such Act is amended to read as follows:

"(g) The Federal Reserve banks are authorized and directed to act as depositaries, custodians, and fiscal agents for each of the bodies corporate named in section 302(a)(2), for its own account or as fiduciary, and such banks shall be reimbursed for such services in such manner as may be agreed upon; and each of such bodies corporate may itself act in such capacities, for its own account or as fiduciary, and for the account of others."

(ee) Section 309 of such Act is amended by adding at the end thereof the following new subsection:

"(h) The Secretary of Housing and Urban Development shall have general regulatory power over the Federal National Mortgage Association and shall make such rules and regulations as shall be necessary and proper to insure that the purposes of this title are accomplished. No stock, obligation, security, or other instrument shall be issued by the corporation without the prior approval of the Secretary. The Secretary may require that a reasonable portion of the corporation's mortgage purchases be related to the national goal of providing adequate housing for low and moderate income families, but with reasonable economic return to the corporation. The Secretary may examine and audit the books and financial transactions of the corporation, and he may require the corporation to make such reports on its activities as he deems advisable."

(ff) Section 311 of such Act is amended—

(1) by striking out "the Association" and inserting in lieu thereof "either of the bodies corporate named in section 302(a)(2)"; and

(2) by adding at the end thereof the following: "All stock, obligations, securities, participations, or other instruments issued pursuant to this title shall, to the same extent as securities which are direct obligations of or obligations guaranteed as to principal or interest by the United States, be deemed to be exempt securities within the meaning of laws administered by the Securities and Exchange Commission; but all such issuances shall be made only with the approval of the Secretary of Housing and Urban Development."

PARTICIPATIONS

SEC. 703. Section 302(c)(5) of the National Housing Act is amended by inserting at the

end thereof the following: "In the event that the insufficiency required by the trustee is on account of principal maturities of outstanding beneficial interests or participations authorized to be issued pursuant to paragraph (4) of this subsection, or pursuant hereto, the trustee is authorized to elect to issue additional beneficial interests or participations for refinancing purposes in lieu of requiring any trustor or trustors to make payments to the trustee from appropriated funds or other sources. Each such issue of beneficial interests or participations shall be in an amount determined by the trustee but not in excess of the aggregate amount which the trustee would otherwise require the trustor or trustors to pay from appropriated funds or other sources, and may be issued without regard to the provisions of paragraph (4) of this subsection. All refinancing issues of beneficial interests or participations shall be deemed to have been issued pursuant to the authority contained in the appropriation Act or Acts under which the beneficial interests or participations were originally issued."

MORTGAGE-BACKED SECURITIES

SEC. 704. (a) Section 304 of the National Housing Act is amended by adding at the end thereof the following new subsection:

"(d) To provide a greater degree of liquidity to the mortgage investment market and an additional means of financing its operations under this section, the corporation is authorized to set aside any mortgages held by it under this section, and, upon approval of the Secretary of the Treasury, to issue and sell securities based upon the mortgages so set aside. Securities issued under this subsection may be in the form of debt obligations or trust certificates of beneficial interest, or both. Securities issued under this subsection shall have such maturities and bear such rate or rates of interest as may be determined by the corporation with the approval of the Secretary of the Treasury. Securities issued by the corporation under this subsection shall, to the same extent as securities which are direct obligations of or obligations guaranteed as to principal and interest by the United States, be deemed to be exempt securities within the meaning of laws administered by the Securities and Exchange Commission. Mortgages set aside pursuant to this subsection shall at all times be adequate to enable the corporation to make timely principal and interest payments on the securities issued and sold pursuant to this subsection."

(b) Section 306 of such Act is amended by adding at the end thereof the following new subsection:

"(g) The Association is authorized, upon such terms and conditions as it may deem appropriate, to guarantee the timely payment of principal of and interest on such trust certificates or other securities as shall (1) be issued by the corporation under section 304(d), or by any other issuer approved for the purposes of this subsection by the Association, and (2) be based on and backed by a trust or pool composed of mortgages which are insured under the National Housing Act or title V of the Housing Act of 1949, or which are insured or guaranteed under the Servicemen's Readjustment Act of 1944 or chapter 37 of title 38, United States Code. The Association shall collect from the issuer a reasonable fee for any guaranty under this subsection and shall make such charges as it may determine to be reasonable for the analysis of any trust or other security arrangement proposed by the issuer. In the event the issuer is unable to make any payment of principal of or interest on any security guaranteed under this subsection, the Association shall make such payment as and when due in cash, and thereupon shall be subrogated fully to the rights satisfied by such payment. Any Federal, State, or other law to the contrary notwithstanding, the Association is hereby empowered, in connection with any guaranty under this subsection, whether before or after any default, to provide by contract with the issuer for the extinguishment, upon default by the issuer, of any redemption, equitable, legal, or other right, title, or interest of the issuer in any mortgage or mortgages constituting the trust or pool against which the guaranteed securities are issued; and with respect to any issue of guaranteed securities, in the event of default and pursuant otherwise to the terms of the contract, the mortgages that constiute such trust or pool shall become the absolute property of the Association subject only to the unsatisfied rights of the holders of the securities based on and backed by such trust or pool. The full faith and credit of the United States is pledged to the payment of all amounts which may be required to be paid under any guaranty under this subsection. There shall be excluded from the total amounts set forth in subsection (c) the amounts of any mortgages acquired by the Association as a result of its operations under this subsection."

SUBORDINATED AND CONVERTIBLE OBLIGATIONS

SEC. 705. Section 304 of the National Housing Act is amended by adding thereto (after subsection (d) as added by section 704 of this Act) the following new subsection:

"(e) For the purposes of this section, the corporation is authorized to issue, upon the approval of the Secretary of the Treasury, obligations which are subordinated to any or all other obligations of the corporation, including subsequent obligations. The obligations issued under this subsection shall have such maturities and bear such rate or rates of interest as may be determined by the corporation with the approval of the Secretary of the Treasury and may be made redeemable at the option of the corporation before maturity in such manner as may be stipulated in such obligations. Any of such obligations may be made convertible into shares of common stock in such manner, at such price or prices, and at such time or times as may be stipulated therein. The total principal amount of such subordinated obligations which may be outstanding at any one time shall not exceed two times the sum of (1) the capital of the corporation represented by its outstanding common stock and (2) its surplus and undistributed earnings at such time. The outstanding total principal amount of such obligations which are entirely subordinated to the obligations of the corporation issued or to be issued under subsection (b) shall be deemed to be capital of the corporation for the purpose of determining the aggregate amount of obligations issued under subsection (b) which may be outstanding at any one time. Obligations issued by the corporation under this subsection shall, to the same extent as securities which are direct obligations of or obligations guaranteed as to principal or interest by the United States, be deemed to be exempt securities within the meaning of laws administered by the Securities and Exchange Commission. The corporation shall insert appropriate language in all of its obligations issued under this subsection clearly indicating that such obligations, together with the interest thereon, are not guaranteed by the United States and do not constitute a debt or obligation of the United States or of any agency or instrumentality thereof other than the corporation. The corporation is authorized to purchase in the open market any of its obligations outstanding under this subsection at any time and at any price."

SPECIAL ASSISTANCE AUTHORIZATION

SEC. 706. Section 305(c) of the National Housing Act is amended—

(1) by striking out "and" after "July 1, 1967,"; and

(2) by striking out the period and inserting in lieu thereof ", and by $500,000,000 on July 1, 1969."

AMENDMENTS TO OTHER LAWS

SEC. 707. (a) Section 306(b) of the Housing Act of 1959 is amended by striking out "Federal National Mortgage Association pursuant" and inserting in lieu thereof "Government National Mortgage Association pursuant".

(b) Section 312(d) of the Housing Act of 1964 is amended by striking out "Federal" and inserting in lieu thereof "Government".

(c) Section 5(b) of the Department of Housing and Urban Development Act is amended—

(1) by striking out "The Federal" and inserting in lieu thereof "The Government"; and

(2) by striking out ", and the position of the Preisdent of said Association is hereby allocated among the positions referred to in section 7(c) hereof".

(d) Section 7(b) of the Department of Housing and Urban Development Act is repealed.

(e) Section 101 of the Government Corporation Control Act is amended by striking out "Federal National Mortgage Association" and inserting in lieu thereof "Government National Mortgage Association".

(f) Section 13(4)(F) of the Public Buildings Act of 1959 is amended by striking out "Federal" and inserting in lieu thereof "Government".

(g) Section 6(b) of the Participation Sales Act of 1966 is amended by striking out "secondary market operations carried on by the Federal" and inserting in lieu thereof "the Government".

(h) Section 1820(e) of title 38, United States Code, is amended by striking out "Federal National" in three places and inserting in lieu thereof, in each such place, "Government National".

(i) Section 709 of title 18, United States Code, is amended by striking out "Federal National Mortgage Association" each place it appears and inserting in lieu thereof, in each such place, "Government National Mortgage Association."

(j) Section 5136 of the Revised Statutes is amended by inserting "or the Government National Mortgage Association" immediately following "Federal National Mortgage Association".

(k) Section 11(h) of the Federal Home Loan Bank Act is amended by inserting "or the Government National Mortgage Association, in the stock of the Federal National Mortgage Association" immediately following "Federal National Mortgage Association".

(l) Section 16 of the Federal Home Loan Bank Act is amended by inserting "or the Government National Mortgage Association" immediately following "Federal National Mortgage Association".

(m) Section 5(c) of the Home Owners' Loan Act of 1933 is amended by inserting "or the Government National Mortgage Association," immediately following "Federal National Mortgage Association" and by inserting "or the stock of the Federal National Mortgage Association" immediately after "any other agency of the United States".

(n) Section 8(8)(E) of the Federal Credit Union Act is amended by inserting "or the Government National Mortgage Association" immediately following "Federal National Mortgage Association".

EFFECTIVE DATE

SEC. 708. The amendments made by this title shall be effective from and after a date, no more than one hundred and twenty days following the date of enactment of this Act, as established by the Secretary of Housing and Urban Development. Notice of the establishment of such effective date shall be published in the Federal Register at least thirty days prior thereto.

SAVINGS PROVISIONS

SEC. 709. (a) No cause of action by or against the Federal National Mortgage Association existing prior to the effective date

established pursuant to section 708 shall abate by reason of the enactment of this title. Any such cause of action may thereafter be asserted by or against the appropriate corporate body named in section 302(a)(2) of the National Housing Act.

(b) No suit, action, or other proceeding commenced by or against the Federal National Mortgage Association, or any officer thereof in his official capacity, prior to the effective date established pursuant to section 708 shall abate by reason of the enactment of this title. A court may at any time thereafter during the pendency of any such litigation, on its own motion or that of any party, order that the litigation may be maintained by or against the appropriate corporate body named in section 302(a)(2) of the National Housing Act or the appropriate corresponding officer thereof.

TRANSITIONAL PROVISIONS

SEC. 710. (a) On the effective date established pursuant to section 708 of this Act, each share of outstanding nonvoting common stock, with a par value of $100 per share, of the Federal National Mortgage Association shall be changed into and shall become one share of voting common stock, without par value, of such corporation.

(b)(1) The provisions of section 308(b) of the National Housing Act (as added by section 702(y)(7) of this Act) shall be applicable only to the extent that its provisions do not conflict with this subsection.

(2) For a transitional period after the effective date established pursuant to section 708 of this Act, the board of directors of the Federal National Mortgage Association shall consist of nine persons. For a term expiring on the date of the first annual meeting of the corporation's stockholders, all members of the board shall be appointed by the Secretary of Housing and Urban Development. For a term beginning on such date, seven members of the board shall be appointed by the Secretary, and two members shall be elected by the common stockholders. For subsequent terms beginning prior to the termination of the transitional period, five members shall be appointed by the Secretary, and four members shall be elected by the common stockholders. For each term beginning prior to the termination of the transitional period, the Secretary shall appoint as a member of the board the president of the corporation. During the transitional period, the president of the corporation shall be appointed by the President, by and with the advice and consent of the Senate, and may be removed from office by the President for good cause.

(3) The transitional period referred to in paragraph (2) shall come to an end at such time as the board of directors shall find, with the approval of the Secretary, that not less than one-third of the corporation's common stock is owned by persons or institutions in the mortgage lending, homebuilding, real estate, or related businesses; but in no event shall it end sooner than May 1, 1970, or later than May 1, 1973.

(c) From the effective date established pursuant to section 708 and until the retirement of the last of the outstanding shares of its preferred stock, the Federal National Mortgage Association shall be deemed to be a wholly owned corporation for the purposes of the Government Corporation Control Act. Notwithstanding the foregoing provisions of this paragraph, the financial transactions of the Federal National Mortgage Association shall continue to be subject to audit by the General Accounting Office for such period as there may be outstanding obligations of the Federal National Mortgage Association which are guaranteed as to principal or interest by the Government National Mortgage Association.

(d) Those persons who are the officers and employees of the Federal National Mortgage Association immediately prior to the effective date established pursuant to section 708 shall become the officers and employees of the Government National Mortgage Association on such date. The Federal National Mortgage Association and the Government National Mortgage Association shall provide by contract for the conditions and methods under which and by which the Federal National Mortgage Association during the transitional period may employ those individuals who are employees of the Government National Mortgage Association on such effective date; and may provide by contract for the operation by either of such corporations of any of the functions of the other. The Secretary of Housing and Urban Development shall make every reasonable effort to place in other comparable Federal positions any individuals who are career or career-conditional employees of the Government National Mortgage Association on such effective date and who are subsequently during the transitional period neither employed by the Federal National Mortgage Association nor retained by the Government National Mortgage Association.

Mr. PATMAN (during the reading). Mr. Chairman, I ask unanimous consent that title VII be considered as read, printed in the RECORD, and open to amendment at any point.

The CHAIRMAN. Is there objection to the request of the gentleman from Texas?

There was no objection.

The CHAIRMAN. Are there any amendments to title VII? If not, the Clerk will read.

The Clerk read as follows:

TITLE VIII—NATIONAL HOUSING PARTNERSHIPS

STATEMENT OF PURPOSE

SEC. 801. The Congress finds that the volume of housing being produced for families and individuals of low or moderate income must be increased to meet the national goal of a decent home and a suitable living environment for every American family, and declares that it is the policy of the United States to encourage to widest possible participation by private enterprise in the provision of housing for low or moderate income families. The Congress has therefore determined that one or more private organizations should be created to encourage maximum participation by private investors in programs and projects to provide low and moderate income housing.

CREATION OF CORPORATIONS

SEC. 802. (a) There is hereby authorized to be created a private corporation for profit (hereinafter in this title referred to as the "corporation"). The corporation will not be an agency or establishment of the United States Government. The corporation shall be subject to the provisions of this title and, to the extent consistent with this title, to the District of Columbia Business Corporation Act (D.C. Code, sec. 29–901 et seq.)

(b) Whenever the President finds it in the national interest to do so, he may cause the creation of an additional corporation or additional corporations to carry out the purposes of this title. All the provisions of this title shall thereupon become applicable to each such corporation, and to the limited partnership formed by its pursuant to section 807.

(c) Nothing in this title shall be construed to preclude private persons from creating other corporations and organizing other partnerships, joint ventures, or associations for the purposes set forth in this title as the purposes of the corporation and the partnership described in section 807.

PROCESS OF ORGANIZATION

SEC. 803. (a) The President of the United States shall appoint, by and with the advice and consent of the Senate, incorporators of the corporation, one of whom shall be designated by the President to serve as chairman. The incorporators shall serve as the initial board of directors until the first annual meeting of stockholders or until their successors are elected and have qualified.

(b) The incorporators shall take whatever actions are necessary or appropriate to establish the corporation, including the filing of articles of incorporation as approved by the President.

(c) The incorporators shall also arrange for an initial offering of shares of stock in the corporation and of interests in the partnership described in section 807 of this title. If the incorporators deem it advisable in order to carry out the purposes of this title, the initial offering may be made upon terms which require the purchase of other securities of the corporation or of interests in such partnership.

DIRECTORS

SEC. 804. The corporation shall have a board of directors (hereinafter in this section referred to as the "board"), consisting of fifteen members. Three members of the board shall be appointed by the President of the United States, by and with the advice and consent of the Senate, effective on the date on which the other members are elected, and for terms of three years or until their successors have been appointed and have qualified, except that the first three members of the board so appointed shall continue in office for terms of one, two, and three years, respectively, and any member so appointed to fill a vacancy shall be appointed only for the unexpired term of the director whom he succeeds. Twelve members of the board shall be elected by the stockholders.

FINANCING THE CORPORATION

SEC. 805. The corporation shall have the power to create and issue the number of shares stated in its articles of incorporation. Such shares may be divided into one or more classes, any or all of which classes may consist of shares with par value or shares without part value, with such designations, preferences, voting powers, and special or relative rights and such limitations, restrictions, or qualifications thereof as shall be stated in the articles of incorporation. The articles of incorporation may limit or deny the voting power of the shares of any class.

PURPOSES AND POWERS OF THE CORPORATION

SEC. 806. (a) In order to achieve the objectives and carry out the purposes of this title, the corporation is authorized to—

(1) plan, initiate, and carry out, pursuant to Federal programs or otherwise, the building or rehabilitation of housing and related facilities primarily for the benefit of families and individuals of low or moderate income;

(2) buy, own, manage, lease, or otherwise acquire or dispose of property in connection with the developments, projects, or undertakings referred to in paragraph (1); and

(3) provide such funds as may be necessary to accomplish the developments, projects, or undertakings referred to in paragraph (1).

(b) Included in the activities authorized to the corporation for the accomplishment of the purposes indicated in subsection (a) of this section are, among others not specifically named—

(1) to enter into partnerships, limited partnerships, joint ventures, and other associations with individuals, corporations, and private and governmental agencies, organizations, and institutions;

(2) to act as manager or general partner of any such partnership, venture, or association;

(3) to conduct or contract for research and studies related to the development, demonstration, and evaluation of improved

techniques and methods of constructing, rehabilitating, and maintaining housing;

(4) to provide technical assistance to nonprofit corporations, limited dividend corporations, and others with respect to the planning, financing, construction, rehabilitation, maintenance, and management of housing for low and moderate income families and individuals;

(5) to make loans or grants, including grants of interests in housing and related facilities, to nonprofit corporations, limited dividend corporations, and others, in carrying out its activities under subsection (a) of this section; and

(6) to hire or accept the voluntary services of consultants, experts, advisory boards, and panels to aid the corporation in carrying out the purposes of this title.

(c) To carry out the foregoing purposes and engage in the foregoing activities, the corporation shall have the usual powers conferred upon a stock corporation by the District of Columbia Business Corporation Act.

(d) Nothing in this title shall have the effect of waiving or otherwise affecting the applicability of the provisions of the Davis-Bacon Act (40 U.S.C. 267a—276a–5), or any other law requiring compliance with labor standards, in the case of any construction to which such provisions would otherwise apply.

NATIONAL HOUSING PARTNERSHIP

SEC. 807. (a) The corporation is authorized to arrange for the formation, as a separate organization, of a limited partnership (hereinafter in this title referred to as the "partnership") under the District of Columbia Uniform Limited Partnership Act (D.C. Code, sec. 41–401 et seq.) for the purpose of engaging in any of the activities authorized for the corporation under section 906 of this title, and to enter into a partnership agreement governing the affairs of such limited partnership.

(b) The partnership shall be subject to the provisions, to the extent consistent with this title, of (1) the District of Columbia Uniform Limited Partnership Act and (2) those provisions of the District of Columbia Uniform Partnership Act (D.C. Code, sec 41–301 et seq.) made applicable by section 6(2) of that Act (D.C. Code, sec. 41–305(2)). Notwithstanding any inconsistency between the provisions of such Acts, or of any other law, and the provisions of this section, the partnership organized pursuant to this section shall be deemed to have the legal status of a limited partnership.

(c) The partnership is authorized to enter into partnerships, limited partnerships, or joint ventures organized under applicable State or local law for the purpose of engaging in low and moderate income housing developments, projects, or undertakings in particular localities.

(d) The corporation shall be the general partner in the partnership. The capital of the partnership and the contributions of the partners shall be in such amounts and at such times as are set forth in or pursuant to the partnership agreement.

(e) The partnership agreement shall include provisions designed to assure that (1) the partnership shall participate in low and moderate income housing developments, projects, or undertakings in a manner designed to encourage the participation therein of local interests, and (2) in any such development, project, or undertaking the partnership shall not subscribe to more than 25 per centum (including equity investments made in services or property) of the aggregate initial equity investment unless, in the judgment of the corporation as general partner, the balance of the required equity investment is not readily obtainable from other responsible investors residing or doing business in the local community

(f) The partnership agreement may without limitation (1) permit each of the stockholders of the corporation to become a member of the partnership as a limited partner, (2) authorize the inclusion of other limited partners in addition to the stockholders of the corporation, (3) provide that the assignee of the partnership interest of a limited partner of the partnership who is also a stockholder of the corporation may not become a substituted limited partner unless he also acquires the assignor's stock of the corporation, and (4) include provisions requiring that the corporation as a general partner approve the substitution or addition of a member of the partnership.

(g) A corporation which is a limited partner in the partnership shall not become liable as a general partner by reason of the fact that (1) such corporation is a holder of shares of voting stock of the corporation constituting not more than 5 per centum of the total number of outstanding shares of such stock and exercises any of the rights (including voting rights) of a holder of such shares, and/or (2) a person who is an officer or director of such corporation (or of another corporation which controls or is subject to the control of, or is under common control with, such corporation) is a director of the corporation and performs the duties of that office. The interest of a limited partner in the partnership shall not be treated as a stock interest in the corporation, notwithstanding that such interest of a limited partner may be proportionate to his stock interest in the corporation.

(h) The certificate of the partnership and any amendment thereof required by the District of Columbia Uniform Limited Partnership Act shall be executed and acknowledged by the corporation as member and by each other member of the partnership or his attorney-in-fact duly authorized by power of attorney in writing. The corporation may execute and acknowledge the certificate and any amendment thereof as attorney-in-fact for any member, member to be substituted or added, or assigning member, by whom the certificate or amendment is required to be executed and acknowledged and who has appointed the corporation as such attorney.

REPORT TO CONGRESS AND RECORDS

SEC. 808. (a) The corporation shall submit an annual report to the President for transmittal to the Congress within six months after the end of its fiscal year. The report shall include a comprehensive and detailed report of the operations, activities, and financial condition of the corporation and the partnership under this title.

(b) The accounts of the corporation and of the partnership shall be audited annually in accordance with generally accepted auditing standards by independent certified public accountants or independent licensed public accountants certified or licensed by a regulatory authority of a State or other political subdivision of the United States.

ANTITRUST LAWS

SEC. 809. Nothing contained herein shall affect the applicability of the Federal antitrust laws to the activities of the corporation and the partnership created under this title and of the persons participating therein or in partnerships, limited partnerships, or joint ventures with either of them.

RIGHT TO REPEAL, ALTER, OR AMEND

SEC. 810. The right to repeal, alter, or amend this title at any time is expressly reserved.

AMENDMENT TO BANKING LAWS

SEC. 811. Paragraph "Seventh" of section 5136 of the Revised Statutes (12 U.S.C. 24) is amended by adding at the end thereof the following: "Notwithstanding any other provision in this paragraph, the association may purchase for its own account shares of stock issued by a corporation authorized to be created pursuant to title VIII of the Housing and Urban Development Act of 1968, and may make investments in a partnership, limited partnership, or joint venture formed pursuant to section 807(a) or 807(c) of that Act."

Mr. PATMAN (during the reading). Mr. Chairman, I ask unanimous consent that title VIII be considered as read, printed in the RECORD, and open to amendment at any point.

The CHAIRMAN. Is there objection to the request of the gentleman from Texas?

There was no objection.

The CHAIRMAN. Are there any amendments to title VIII? If not, the Clerk will read.

The Clerk read as follows:

TITLE IX—RURAL HOUSING

HOUSING FOR LOW AND MODERATE INCOME PERSONS AND FAMILIES

SEC. 901. Title V of the Housing Act of 1949 is amended by adding at the end thereof the following new section:

"LOANS TO PROVIDE OCCUPANT-OWNED, RENTAL, AND COOPERATIVE HOUSING FOR LOW AND MODERATE INCOME PERSONS AND FAMILIES

"SEC. 521. (a) Notwithstanding the provisions of sections 502, 517(a), and 515, loans to persons of low or moderate income under section 502 or 517(a)(1), and loans under section 515 to provide rental or cooperative housing and related facilities for persons and families of low or moderate income or elderly persons and elderly families, shall bear interest at a rate prescribed by the Secretary at not less than a rate determined by the Secretary of the Treasury taking into consideration the current average market yield on outstanding marketable obligations of the United States with remaining periods to maturity comparable to the average maturities of such loans, adjusted to the nearest one-eighth of 1 per centum, less not to exceed the difference beween the adjusted rate determined by the Secretary of the Treasury and 1 per centum per annum:

Provided, That such a loan may be made only when the Secretary determines that the needs of the applicant for necessary housing cannot be met with financial assistance from other sources including assistance under section 235 or 236 of the National Housing Act: *Provided further,* That interest on loans under section 502 or 517(a) to victims of natural disasters shall not exceed the rate which would be applicable to such loans under section 502 without regard to this section.

"(b) Housing and related facilities provided with loans described in subsection (a) shall be located in rural areas; and applicants eligible for such loans under section 502 or 517(a)(1), or for occupancy of housing provided with such loans under section 515, shall include otherwise qualified nonrural residents who will become rural residents.

"(c) There shall be reimbursed to the Rural Housing Insurance Fund by annual appropriations the amounts by which nonprincipal payments made from the fund during each fiscal year to the holders of insured loans described in subsection (a) exceed interest due from the borrowers during each year; and the Secretary from time to time may issue notes to the Secretary of the Treasury under section 517(h) to obtain amounts equal to such unreimbursed excess payments, pending the annual reimbursement by appropriation."

HOUSING FOR RURAL TRAINEES

SEC. 902. Title V of the Housing Act of 1949 is amended by adding after section 521 (as added by section 901 of this Act) the following new section:

"HOUSING FOR RURAL TRAINEES

"SEC. 522. (a) Upon the application of any State or political subdivision thereof, or any public or private nonprofit organization, the

Secretary is authorized, after consultation with the Secretary of Labor, the Secretary of Health, Education, and Welfare, the Secretary of Housing and Urban Development, and the Director of the Office of Economic Opportunity, and after the Secretary determines that the housing and related facilities cannot reasonably be provided in any other way, to provide financial and technical assistance for the establishment, in rural areas, of housing and related facilities for trainees and their families who are residents of a rural area and have a rural background, while such trainees are enrolled and participating in training courses designed to improve their employment capability. The selection of training sites and location of housing shall be made with due regard to the economic viability of the area, and only after consideration of a labor area survey and full coordination among all Government agencies having primary responsibility for administering related programs.

"(b) Housing and related facilities assisted under this section shall be safe and sanitary, constructed in the most economical manner, and of modest design, giving due consideration to the purposes to be served and the needs of the occupants, and may, in the discretion of the Secretary, include mobile family quarters. Design and location shall be such as to facilitate, as feasible, the use of such housing and related facilities for other purposes when no longer needed for the primary purpose.

"(c) The applicant shall contribute the necessary land, or funds to acquire such land, from its own resources, including land acquired by donation or from funds repayable under subsection (e) or borrowed from other sources.

"(d) No financial assistance shall be made available under this section unless, to the extent and for the periods required by the Secretary, the applicant agrees that—

"(1) such housing will be maintained at all times in a safe and sanitary condition in accordance with standards prescribed by State or local law, or, in the absence of such standards, with requirements prescribed by the Secretary;

"(2) priority shall be given at all times, in granting occupancy of such housing and facilities, to the trainees and their families described in subsection (a); and

"(3) rentals charged them shall not exceed amounts approved by the Secretary after considering the portion of the actual total family income which the family can afford to pay for rent while meeting its other immediate needs during occupancy.

"(e) The Secretary may make advances pursuant to any contract for financial assistance under this section at such times and in such manner as may be specified in the contract. Such advances for the purchase of land shall be repayable with interest and within a period not to exceed thirty-three years and may be made upon such security, if any, as the Secretary requires. Advances for other purposes may be made repayable with or without interest or nonrepayable as determined by the Secretary on the basis of the anticipated income and cost of operation of the housing and related facilities and the ability of each applicant to finance such facilities. Any advances shall be limited to cover the capital costs of constructing such facilities, plus interest on borrowings to cover such costs.

"(f) Should housing and related facilities assisted pursuant to a contract under this section be sold to an ineligible transferee or diverted to a use other than its primary purpose within a period specified in the contract, all advances made under such contract shall be repaid to the Secretary, up to the amount of the sales price or the fair value of the property as determined by the Secretary, whichever is higher, with interest from the date of the sale or diversion. If no suitable alternate use of the property is available, as determined by the Secretary, after the purpose of this section can no longer be served, the property shall be returned to its original condition by the recipient of the assistance.

"(g) Interest charged on advances made under this section shall be at a rate, prescribed by the Secretary, which shall be not less than a rate determined by the Secretary of the Treasury taking into consideration the current average market yield on outstanding marketable obligations of the United States with remaining periods to maturity comparable to the average maturities of such loans, adjusted to the nearest one-eighth of 1 per centum, less not to exceed the difference between the adjusted rate determined by the Secretary of the Treasury and 1 per centum per annum, as determined by the Secretary.

"(h) The Secretary shall prescribe regulations to insure that Federal funds expended under this section are not wasted or dissipated.

"(i) As used in this section (1) the term 'related facilities' shall include any necessary community rooms or buildings, infirmaries, utilities, access roads, water and sewer services, and the minimum fixed or movable equipment determined by the Secretary to be necessary to make the housing reasonably habitable by trainees and their families; and (2) the term 'trainee' means any person receiving training under any federally assisted training program.

"(j) All laborers and mechanics employed in connection with the provision of housing and related facilities assisted under this section, where such housing includes eight or more dwelling units, shall be paid wages at rates not less than those prevailing on similar construction in the locality as determined by the Secretary of Labor in accordance with the Davis-Bacon Act, as amended (40 U.S.C. 276a—276a–5); and no assistance shall be extended under this section with respect to such housing and the related facilities without first obtaining adequate assurance that these labor standards will be maintained upon the construction work involved. The Secretary of Labor shall have, with respect to the labor standards specified in this subsection, the authority and functions set forth in Reorganization Plan Numbered 14 of 1950 (64 Stat. 1267) and section 2 of the Act of June 13, 1934 (40 U.S.C. 276c).

"(k) There are authorized to be appropriated such sums as may be necessary to carry out this section."

APPROPRIATIONS

SEC. 903. Section 513 of the Housing Act of 1949 is amended—

(1) by striking out "and (e)" and inserting in lieu thereof "(e)"; and

(2) by inserting before the period at the end thereof the following: "; and (f) such sums as may be required by the Secretary to administer the provisions of sections 235 and 236 of the National Housing Act".

PURCHASE OF LAND FOR BUILDING SITES

SEC. 904. Section 514(f)(2) of the Housing Act of 1949 is amended—

(1) by striking out "and" before "(B)", and

(2) by inserting before the semicolon at the end thereof the following: "and (C) land necessary for an adequate site".

MUTUAL AND SELF-HELP HOUSING

SEC. 905. Title V of the Housing Act of 1949 is amended by adding after section 522 (as added by section 902 of this Act) the following new section:

"MUTUAL AND SELF-HELP HOUSING

"SEC. 523. (a) The purposes of this section are (1) to make financial assistance available on reasonable terms and conditions in rural areas and small towns to needy low-income individuals and their families who, with the benefit of technical assistance and overall guidance and supervision, participate in approved programs of mutual or self-help housing by acquiring and developing necessary land, acquiring building materials, providing their own labor, and working cooperatively with others for the provision of decent, safe, and sanitary dwellings for themselves, their families, and others in the area or town involved, and (2) to facilitate the efforts of both public and private nonprofit organizations providing assistance to such individuals to contribute their technical and supervisory skills toward more effective and comprehensive programs of mutual or self-help housing in rural areas and small towns wherever necessary.

"(b) In order to carry out the purposes of this section, the Secretary of Agriculture (in this section referred to as the "Secretary") is authorized—

"(1) to make grants to, or contract with, public or private nonprofit corporations, agencies, institutions, organizations, and other associations approved by him, to pay part or all of the costs of developing, conducting, administering, or coordinating effective and comprehensive programs of technical and supervisory assistance which will aid needy low-income individuals and their families in carrying out mutual or self-help housing efforts;

"(2) to make loans, on such terms and conditions and in such amounts as he deems necessary, to needy low-income individuals participating in programs of mutual or self-help housing approved by him, for the acquisition and development of land and for the purchase of such other building materials as may be necessary in order to enable them, by providing substantially all of their own labor, and by cooperating with others participating in such programs, to carry out to completion the construction of decent, safe, and sanitary dwellings for such individuals and their families, subject to the following limitations:

"(A) there is reasonable assurance of repayment of the loan;

"(B) the amount of the loan, together with other funds which may be available, is adequate to achieve the purpose for which the loan is made;

"(C) the credit assistance is not otherwise available on like terms or conditions from private sources or through other Federal, State, or local programs;

"(D) the loan bears interest at a rate not to exceed 3 per centum per annum on the unpaid balance of principal, plus such additional charge, if any, toward covering other costs of the loan program as the Secretary may determine to be consistent with its purposes; and

"(E) the loan is repayable within not more than thirty-three years.

"(c) In determining whether to extend financial assistance under paragraph (1) or (2) of subsection (b), the Secretary shall take into consideration, among other factors, the suitability of the area within which construction will be carried out to the type of dwelling which can be provided under mutual or self-help housing programs, the extent to which the assistance will facilitate the provision of more decent, safe, and sanitary housing conditions than presently exist in the area, the extent to which the assistance will be utilized efficiently and expeditiously, the extent to which the assistance will effect an increase in the standard of living of low-income individuals participatng in the mutual or self-help housing program, and whether the assistance will fulfill a need in the area which is not otherwise being met through other programs, including those carried out by other Federal, State, or local agencies.

"(d) As used in this section, the term 'construction' includes the erection of new dwellings, and the rehabilitation, alteration, conversion, or improvement of existing structures.

"(e) The Secretary is authorized to estab-

lish appropriate criteria and procedures in order to determine the eligibility of applicants for the financial assistance provided under this section, including criteria and procedures with respect to the periodic review of any construction carried out with such financial assistance.

"(f) There are hereby authorized to be appropriated for each fiscal year commencing after June 30, 1968, and ending prior to July 1, 1973, such sums, not in excess of $5,000,000 for any such fiscal year, as may be necessary to carry out the provisions of this section. No grant or loan may be made or contract entered into under the authority of this section after June 30, 1973, except pursuant to a commitment or other obligation entered into pursuant to this section before that date."

Mr. PATMAN (during the reading). Mr. Chairman, I ask unanimous consent that title IX be considered as read, printed in the RECORD, and open to amendment at any point.

The CHAIRMAN. Is there objection to the request of the gentleman from Texas?

There was no objection.

Mr. TALCOTT. Mr. Chairman, I move to strike the requisite number of words.

Mr. Chairman, I take this time to ask several questions of the gentleman from Pennsylvania [Mr. BARRETT], the chairman of the subcommittee, and the gentleman from Texas [Mr. PATMAN], the chairman of the full committee.

As I understand this bill, it provides for a total expenditure of some $50 billion. Is that not correct?

Mr. BARRETT. It is $5 billion over 3 years.

Mr. TALCOTT. $5 billion for the fiscal year 1969.

Mr. BARRETT. Over 3 years.

Mr. TALCOTT. Then, I have a different computation.

In any event, there is a good deal of money being authorized for housing, particularly for city housing, but title IX is intended for rural housing. Can you tell me how much money is authorized in title IX for rural housing of all kinds?

Mr. BARRETT. First let me say that these will be in subsidies as well as in the low-income housing field. I cannot give you the exact amount on it, because titles I and II do not set a limit on the exact amount of dollars that can be used for rural housing.

Mr. TALCOTT. Will the gentleman answer this question? I am trying to ascertain the amount of money in this bill which is authorized for rural housing. In my view, the people who live in rural areas are the poorest of the poor and the most disadvantaged of the disadvantaged and have the worst housing. They would gladly move to the ghettos of the big cities to improve their conditions. I would like to find out how much money is being proposed to be spent for the rural people as opposed to the people in the big cities.

Mr. Chairman, I would suggest that the rural areas are actually the poorest of the poor, the most disadvantaged of the disadvantaged. They have the worst housing in the United States and most of the people who live in the rural areas, particularly the farmworkers and the migrant farmworkers would like to be able to move permanently to the cities to seek to enjoy some of the benefits afforded residents there.

Therefore, Mr. Chairman, I would like to know how much money is being authorized in this bill for rural housing as compared with city housing.

Mr. BARRETT. We have a total authorization, if I may say to the gentleman, of $25 million for self-help housing.

Is that an adequate answer to the gentleman's question?

Mr. TALCOTT. Then the answer to my question is $5 billion for the cities and only $25 million for rural people.

Mr. JONAS. Mr. Chairman, will the gentleman yield?

Mr. TALCOTT. I yield to the gentleman from North Carolina.

Mr. JONAS. Mr. Chairman, I am amazed at the continued statements on the other side of the aisle that this bill involves $5 billion. There are five programs contained in this bill which run for a period of 40 years and those five programs alone will cost the taxpayers of the United States of America more than $50 billion.

Mr. Chairman, I invite the gentleman to deny that if it is not true, or to confirm it if it is true and let us quit talking about this benig a $5-billion bill because the cost will be in excess of $50 billion—of the taxpayers' money.

Mr. BARRETT. Mr. Chairman, if the gentleman from California will yield, I would say the gentleman from North Carolina is partially right. We have to calculate these subsidies going down in the rent supplement areas. We will also have to calculate the subsidy figures coming down on the low- and moderate-income housing. I do not believe anyone can give the amount that will be covered over a 40-year period. I do not believe anyone can do that or can make that statement accurately.

Mr. JONAS. Mr. Chairman, if the gentleman from California will yield further to me, my experience is and has been that these programs and the cost thereof do not go down, but they go up as the years pass. The total expenditure to the taxpayer of America in these five programs alone is more than $50 billion.

Mr. TALCOTT. Well, I am amazed. With a $50 billion exposure to the taxpayers for housing for the city dwellers, there is only the possibility of $25 million for rural residents. This proration of Federal authorization is inequitable. The rural residents are poorer and housing costs are higher. Additionally, the rural residents must help themselves. This idea of self-help ought to be applied to city dwellers also.

This bill is grossly unfair to the rural people who need housing help even more urgently than city residents.

Until more consideration is given to the people who need housing most, I cannot vote to burden the Federal taxpayer with an exposure to the payment of $50 billion.

This bill will encumber the next generation by a certain $50 billion. Experience proves that the mortgage will increase before the program projects are amortized.

AMENDMENT OFFERED BY MR. STEPHENS

Mr. STEPHENS. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. STEPHENS: On page 179, line 14, renumber paragraph (1) as paragraph (1)(A). On page 179, after line 22 and before line 23 insert a new paragraph (B) to read as follows:

"(B) to establish the Self-Help Housing Land Development Fund, referred to herein as the Self-Help Fund, to be used by the Secretary as a revolving fund for making loans, on such terms and conditions and in such amounts as he deems necessary, to public or private nonprofit organizations for the acquisition and development of land as building sites to be subdivided and sold to families, nonprofit organizations, and cooperatives eligible for assistance under section 235 or 236 of the National Housing Act or section 521 of this act. Such a loan, with interest at a rate not to exceed 3 percent per annum, shall be repaid within a period not to exceed two years from the making of the loan, or within such additional period as may be authorized by the Secretary in any case as being necessary to carry out the purposes hereof."

On page 182, line 11, strike out the quotation marks.

On page 182, after line 11 and before line 12, insert the following new subsection (g):

"(g) There are hereby authorized to be appropriated for the purposes of subsection (b)(1)(B) not to exceed $1,000,000 for the fiscal year ending June 30, 1969 and not to exceed $2,000,000 for the fiscal year ending June 30, 1970. Any amount so authorized to be appropriated for any fiscal year which is not appropriated may be appropriated for any succeeding fiscal year or years. Amounts appropriated under this subsection shall be deposited in the Self-Help Fund, which shall be available without fiscal year limitation for making loans under subsection (b)-(1)(B). Instruments and property acquired by the Secretary in or as a result of making such loans shall be assets of the Self-Help Fund. Sums received from the repayment of such loans shall be deposited in and be a part of the Self-Help Fund."

Mr. PATMAN (during the reading). Mr. Chairman, we are acquainted with the amendment which the gentleman has offered. The gentleman has given it to both sides, the minority and the majority. Therefore, I ask unanimous consent that further reading of the gentleman's amendment be dispensed with and, that it be printed in the RECORD.

The CHAIRMAN. Is there objection to the request of the gentleman from Texas?

Mr. GROSS. Mr. Chairman, reserving the right to object, just what kind of request is this, that the amendment be subject to amendment at any point? It is subject to amendment without unanimous consent.

Mr. PATMAN. Mr. Chairman, if the gentleman from Iowa will yield, I believe the gentleman will understand it when he understands what is sought to be accomplished by the amendment. We are willing to accept the amendment and we thought the other side was willing to do likewise.

Mr. GROSS. Mr. Chairman, further reserving the right to object, the gentleman says he is willing to accept the pending amendment. Only a short time ago he made a speech complaining about the numerous amendments to this bill and made the statement that we would be here a long time if all of the amend-

ments were offered. In other words, he suggested that the Members ought to stick their amendments in their pockets or some place else, apparently, so that we could get out of here without properly considering the bill.

The gentleman from Texas brought in a Christmas tree with presents on it for everybody, or as many people as he could think of, and now he wants the Members to pocket some of the baubles that are on the tree. One after one, he succumbs to amendments that are offered and blithely, easily, and glibly accepts the amendments that are being offered.

I would ask the gentleman what kind of business is this where on one hand he chides the Members for their interest in the bill, and on the other the gentleman gets up and accepts amendment after amendment.

Mr. Chairman, I would like to see a little order out of the chaos that presently exists.

Mr. PATMAN. Mr. Chairman, may I say to the gentleman that this is an amendment in the public interest. It has been examined by experts on both sides, the minority side and the majority side. And whenever we agree on an amendment that no one objects to, and we believe is in the public interest, we are willing to save a little time that way and get through. And we only agree to amendments where there is no doubt about them being constructive and helpful.

Mr. GROSS. The gentleman asks us to rely on his judgment. Some of us would like to know what is in some of the amendments that the gentleman so blithely and quickly now accepts, whereas a moment ago he was blaming the House because the Members were introducing so many amendments.

Mr. PATMAN. The gentleman from Georgia [Mr. STEPHENS] expects to state what the amendment proposes.

Mr. STEPHENS. Mr. Chairman, I appreciate having the opportunity of explaining the amendment that everybody agrees to, as it sounds like. However, it seems they only disagree on one thing: letting me explain.

However, Mr. Chairman, this amendment is an amendment that is applied to the self-help proposals that are in the bill for groups that want to get together and build houses for low-income people, just like they used to do in the old frontier days. However, nowadays, Mr. Chairman, people just do not have the necessary skills they used to have when logrollings were held.

The purpose of this amendment is to provide some guidance through the Farmers Home Administration for the people who are planning to provide self-help housing for themselves. It would provide groups that want to undertake the self-help projects with the help of finding the proper site for their buildings. It will guide them in the plans for their housing and then it will provide them for the actual construction of these houses.

The amount of money involved is $1 million for the first year, $2 million for the second year; a total of $3 million. It will have to be appropriated and it will be then put into a revolving fund, because it will be paid back out of the funds that are contemplated here.

Mr. GROSS. Mr. Chairman, will the gentleman yield?

Mr. STEPHENS. I yield to the gentleman from Iowa.

Mr. GROSS. The gentleman from Georgia is not telling me that this is some more counseling service for somebody?

Mr. STEPHENS. A little more than what the gentleman objected to yesterday. It teaches more, it teaches the people how to solve their problems, such as how many rafters would go into the house, and how many studs would go into the house.

Mr. GROSS. The builders today are not competent to know how many studs would go into a house in Georgia or in Iowa?

Mr. STEPHENS. Yes, they are; they are competent, but these people that we are talking about are not contractors, they are not builders, they are building a house from scratch themselves as a self-help project, just like the old-fashioned groups that got together in a community when they wanted to build a log cabin, and they had all the people in the neighborhood come and help them.

Mr. GROSS. If the gentleman will yield further, is the gentleman going to provide them with slide rules also, to the highly educated people in Georgia who are going to build their own houses?

Mr. STEPHENS. We have educated people in Georgia who can teach them how to do it.

Mr. GROSS. I guess we had some down here not long ago—down here in shantytown.

Mr. STEPHENS. Yes, sir; we did. But they were not all from Georgia though.

Mr. MATHIAS of California. Mr. Chairman, will the gentleman yield?

Mr. STEPHENS. I yield to the gentleman from California.

Mr. MATHIAS of California. Mr. Chairman, I thoroughly support the amendment offered by the gentleman from Georgia [Mr. STEPHENS] to provide a revolving fund for self-help housing land acquisition. Self-Help Enterprises, which runs a very succesful program in my own congressional district, organizes groups of 10 to 12 families, who share their time and talent to complete a new home for each family in the group. It is important that each group of houses be located in the same general area, so that each family can help with building every house. If the houses are widely separated, the cost of technical supervision rises. And when an area is improved by the construction of self-help homes, land costs rise and it is difficult to acquire additional homes sites in the area at a reasonable cost.

In February of 1967, I filed legislation to expand the scope of self-help housing and that bill included language authorizing a revolving fund for land acquisition. With a revolving fund land can be acquired in blocks and then subdivided. The proceeds of subdivision will be returned to the fund. Such a revolving fund will allow significant economies in the self-help housing process and thereby put self-help housing within reach of an even greater number of families.

Contrary to popular opinion, most of the country's substandard housing is not located in the deteriorated slum neighborhoods of our major cities, but in rural areas and small towns. Secretary of Housing and Urban Development Weaver has testified that:

> In 1960, over 52% of the dilapidated units were in rural open country or in small towns under 2,500 population . . . Conversely, only 23% of the dilapidated housing in the United States was located in cities over 50,000 population.

I am particularly pleased that the present bill provides for the expansion of self-help housing. Self-Help Enterprises of Visalia, Calif., is now operating a highly successful program of this type. One hundred and seventy-five farmworker families in the San Joaquin Valley have already completed new homes, another 195 families have homes under construction, and an additional 315 families are in some stage of planning for future construction.

Section 905 of the present bill will allow the Secretary of Agriculture to support expanded programs of self-help housing and make loans to program participants. Section 1415 authorizes the Secretary of Housing and Urban Development to study the application of self-help techniques to nonrural areas. These two sections will expand the scope of self-help housing and give it a chance to show that it can work in urban as well as rural areas.

The self-help process has demonstrated that it is efficient and that it requires a minimum of Government expense and involvement. With Government funds Self-Help Enterprises furnishes only technical and supervisory assistance. All the actual labor is supplied by the families themselves. The cost of land, materials and equipment is covered by a mortgage that the owner will pay off in regular installments. The average mortgage in the San Joaquin Valley amounts to about $8,000 or two-thirds of the value of the typical home. The remaining one-third, about $4,000, is the owner's equity built by months of hard work by every member of the family.

Self-help housing is an excellent program that has shown that it can succeed. I am pleased that the present bill will expand this program.

Mr. STEPHENS. I thank the gentleman.

(Mr. MATHIAS of California asked and was given permission to revise and extend his remarks.)

Mr. WATSON. Mr. Chairman, will the gentleman yield?

Mr. STEPHENS. I yield to the gentleman.

Mr. WATSON. I certainly am inclined to support the gentleman's amendment but, frankly, I am a little undecided now.

Just what does the gentleman's amendment do? Do you mean to tell me that if some of our neighbors want to get together and supply our combined talents in building houses for one another that we have to have Government approval to do that?

Mr. STEPHENS. Under the bill itself, if they are going to get some assistance from the Government and in the financing of it, this amendment would give them some assistance from the Farmers

Home Administration in the planning of it.

Mr. WATSON. Well, that is the thing—the Government will be paying for the planning of it. In other words, we are going to eliminate the architects, and we are going to eliminate the real estate people, and we are going to eliminate the contractors, but the Government is going to come in with other people?

The CHAIRMAN. The time of the gentleman from Georgia [Mr. STEPHENS] has expired.

(By unanimous consent, at the request of Mr. WATSON, Mr. STEPHENS was granted 2 additional minutes.)

Mr. WATSON. That is the point I am trying to get satisfied in my mind—is the Government going to step in and take the place of the architects and the contractors and so forth? I just fail to see, if a group wants to get together who are providing the plumbing expertise, and another one the electrical know-how, and so forth, why we need any approval from the Government in order to get help.

Mr. STEPHENS. I would point out to the gentleman that under my amendment it is not mandatory that they have to take this help. If they ask for it, they can get it. It is not mandatory and it is not required that they get it.

Mr. WATSON. Yes, but I have still failed to get an answer to my question as to why, if they chose to follow this route, why they have to get Government approval.

Mr. STEPHENS. They have to get Government approval of their projects if they want the loans that are involved here—that is, Government approval to provide the money.

Mr. WATSON. But you do agree under this process that we are going to eliminate the architect and we are going to eliminate the regular contractors.

Mr. STEPHENS. No; I do not think we are going to eliminate them. They have a perfect right to hire them and undertake the work.

Mr. WATSON. Yes; but why would we resort to Government counsel and advice and guidance if I can go and get a carpenter or a contractor who obviously knows what there is to know about the construction of a house.

Mr. STEPHENS. They can do that.

Mr. HANNA. Mr. Chairman, will the gentleman yield?

Mr. STEPHENS. I yield to the gentleman from California.

Mr. HANNA. Is it not true that the very definition itself of the word "self help" indicates that the man is in a different position in dealing with professionals in his community. If it was not self help, it would not be in this section. Therefore, this makes no change in his relationship to any of the professions whatsoever.

If he wants to do it, and if he asks for it to get the money and the Government assistance for planning through the Government, you are making it available.

Mr. WATSON. If the gentleman will yield for another observation, if it is self help and he is going to do it himself, why does the Government have to be here in the picture?

Mr. STEPHENS. It does not have to do it unless it is invited.

Mr. WATSON. I assume that the purpose of the amendments is to get the Government into the picture, otherwise this is simply an exercise in futility.

Mr. STEPHENS. My amendment would provide for a way to help rather than giving it completely to what might be an irresponsible group.

(On request of Mr. THOMPSON of Georgia, and by unanimous consent, Mr. STEPHENS was allowed to proceed for 3 additional minutes.)

Mr. THOMPSON of Georgia. Mr. Chairman, will the gentleman from Georgia yield for a question?

Mr. STEPHENS. I yield to the gentleman from Georgia.

Mr. THOMPSON of Georgia. I thought I thought I was perfectly clear on the amendment until we started getting into the questions. Would your amendment provide that a person can obtain money from the Government who is not an expert in home construction but merely wishes to provide some money for planning purposes of his own home?

Mr. STEPHENS. No; I do not think that would be exactly correct. These self-help proposals are for group self-help. It may be for the purpose of dealing with one individual home, yes; but it may be handled by a nonprofit group that would have some leadership in finding the land, and perhaps they would build 10 houses in an area together.

Mr. THOMPSON of Georgia. Will the gentleman yield for one further question?

Mr. STEPHENS. I yield.

Mr. THOMPSON of Georgia. Suppose there is a church group that wants to get together. They have no experience whatsoever in building, but there is a local church and they say, "We want to build a small community. We need some money for planning this community." Under this program, should they apply for a planning grant, and would the Federal Government finance the plan for that and the homes under your amendment?

Mr. STEPHENS. Under my amendment, yes. The Farmers Home Administration could come in to help.

Mr. THOMPSON of Georgia. Then, of course, they would have other financing to obtain, financing for building the houses.

Mr. STEPHENS. That is correct.

Mr. THOMPSON of Georgia. I thank the gentleman.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Georgia.

The amendment was agreed to.

Mr. BINGHAM. Mr. Chairman, I move to strike the requisite number of words.

(Mr. BINGHAM asked and was given permission to revise and extend his remarks.)

Mr. BINGHAM. Mr. Chairman, before we leave the titles of the bill that have to do with housing and with mass transportation, I would like to make one or two brief comments, and I will not take the 5 minutes. I think it should be understood that there are many of us in this House who feel that, while the committee—especially the chairman of the committee and the chairman of the subcommittee—have done a splendid job on this bill, there are several titles in which the sums authorized are not going to be adequate to meet the needs. Recognizing the practicalities, we have not sought amendments to increase these amounts, but it should be a matter of record that we believe in many instances these figures should be higher.

I have particular reference to title VI, dealing with urban mass transportation. While an increase has been called for in that title, it is wholly inadequate. I hope that some day the Members of this House and the people of the country will recognize that the Federal Government is doing far too little for mass transportation in the big cities of our country, especially when we consider the huge amounts of money that the Federal Government is spending for highways across the country today.

It is still true that the Federal Government is putting up $20 for highways for every dollar that it is putting up to improve the mass transportation facilities which millions of people in our cities have to use every day. I hope that some day that ratio will be brought more into balance.

Mr. SISK. Mr. Chairman, I move to strike the requisite number of words.

Mr. Chairman, I hesitate to take too much of the Committee's time, but I do wish to express my appreciation to the Banking and Currency Committee for title IX. I have long been interested and concerned with the program of self-help housing because in the areas where it has been tried, I believe it has done an exceptionally good job. I wish to commend my colleague from California [Mr. MATHIAS], who has an adjoining district to mine, where we have seen what can happen under a good program of self-help housing.

I would like at this time, Mr. Chairman, if I might, to direct a question or two to the gentleman from Pennsylvania [Mr. BARRETT] with reference to the intent of the committee and the intent of Congress as to the program of financing for self-help housing under the provisions of this bill as to areas or small towns or suburban areas that are near or adjacent to metropolitan areas.

As I am sure my colleague from Pennsylvania knows, the present program operating under the Farmers Home Administration is limited to small towns of 5,500 or less. We have run into a situation where the small town which happens to be adjacent to a metropolitan area has had a question raised as to whether or not it would qualify.

I would like to have the gentleman from Pennsylvania comment as to the intent of the committee in this area and to what extent this program which is proposed now in this legislation might expand on the general self-help housing program.

I yield to the gentleman for that purpose, if he will comment.

Mr. BARRETT. Mr. Chairman, I think we have a great opportunity to expand under this program. Any small town under 5,500 will be eligible to apply under this program.

Mr. SISK. Mr. Chairman, I am cer-

tainly not advocating that this be made applicable in the metropolitan area. I think we have ample programs in the cities themselves, but I am concerned with the suburban areas and the small towns, where today they lie, let us say, within the metropolitan area of a city, and where the Farmers Home Administration under their program have ruled that because of the proximity to the metropolitan area, the towns would not qualify for the self-help program.

I understand the gentleman from Pennsylvania to say he understands here the fact that an area is adjacent or near to a metropolitan area will not rule it out if the area otherwise qualifies.

Mr. BARRETT. That is correct.

Mr. STEPHENS. Mr. Chairman, if the gentleman will yield, it is my understanding that the self-help proposals are not limited by the 5,500 limitation that we have for the Farmers Home Administration, that this is not limited to 5,500.

Mr. SISK. Let me say to my good friend from Georgia, I have been pretty deeply involved in this program for the last 3 or 4 years. I have a number of self-help homes in my area that have been helped, and the Farmers Home Administration has been very strict in adhering to this. It was my hope that, though not seeking to qualify within the cities themselves, at least within the suburban areas and areas near to the metropolitan area they would qualify. I raise this question because I recently had one ruled out, a little town of about 3,000 or 4,000, because of its proximity to the city of Fresno, which is my hometown.

I simply want to make clear that this is not the intent of the Congress to rule such a community out.

Mr. BARRETT. I believe that is what we intended when we passed on this in the committee.

Mr. SISK. I appreciate that very much. As I understand, this is the position of the gentleman from Pennsylvania, the chairman of the subcommittee.

Mr. BARRETT. Mr. Chairman, that is correct.

(Mr. SISK asked and was given permission to revise and extend his remarks.)

Mr. SISK. Mr. Chairman, I wish to express my appreciation for the inclusion of section 905 of this bill, authorizing a new program of assistance for self-help housing in rural areas and small towns through the Farmers Home Administration. This language represents substantially the program which I have advocated for some time, but it is important that the nature of this program be clearly understood in terms of a legislative history. The immediate language provides for continuing assistance only in areas served by the Farmers Home Administration, the larger urban areas being embraced by the language establishing the National Home Ownership Foundation—section 107—which provides authorization for technical assistance to self-help groups, and section 1415(a) which authorizes and requires the Secretary of Housing and Urban Development to carry out studies and demonstrations of self-help housing.

My concern is with section 905 of title IX.

Is it my understanding that the purpose of section 905 is to enable low-income families to secure decent housing and homeownership through self-help, first, by authorizing funds for sponsorship of such programs, and, second, by making low-interest-rate money available to such families. It is my understanding that the enactment of this section would authorize funds which the Farmers Home Administration can grant to nonprofit organizations to provide educational services and technical assistance to low-income families seeking homes through self-help, and that the $5 million in funds authorized specifically in this section is for this purpose. It is also my understanding that section 905 authorizes the Secretary of Agriculture to make credit available to such self-help families at the lowest possible rate, not to exceed 3 percent per annum.

In other words, section 905 authorizes an expansion of the self-help housing program, authorizes the Secretary of Agriculture to lend money to self-help families in small towns and rural areas, at the lowest interest rate possible under existing or future legislation; and further, that the funds authorized in subparagraph (f) of section 905 are for the purpose of carrying on educational and technical assistance programs through nonprofit organizations organized for that purpose.

The CHAIRMAN. If there are no further amendments to title IX, the Clerk will read.

The Clerk read as follows:

TITLE X—URBAN PROPERTY PROTECTION AND REINSURANCE

SHORT TITLE

SEC. 1001. This title may be cited as the "Urban Property Protection and Reinsurance Act of 1968."

FINDINGS AND DECLARATION OF PURPOSE

SEC. 1002. (a) The Congress finds that (1) the vitality of many American cities is being threatened by the deterioration of their inner city areas; responsible owners of well-maintained residential, business, and other properties in many of these areas are unable to obtain adequate property insurance coverage against fire, crime, and other perils; the lack of such insurance coverage accelerates the deterioration of these areas by discouraging private investment and restricting the availability of credit to repair and improve property therein; and this deterioration poses a serious threat to the national economy; (2) recent riots and other civil commotion in many American cities have brought about abnormally high losses to the private property insurance industry for which adequate reinsurance cannot be obtained at reasonable cost, and the risk of such losses will make most lines of property insurance even more difficult to obtain; (3) the capacity of the private property insurance industry to provide adequate insurance is threatened, and the continuity of such property insurance protection is essential to the extension of credit in these areas; and (4) the national interest demands urgent action by the Congress to assure that essential lines of property insurance, including lines providing protection against riot and civil commotion damage will be available to property owners at reasonable cost.

(b) The purposes of this title are, therefore, to (1) encourage and assist the various State insurance authorities and the property insurance industry to develop and carry out statewide programs which will make necessary property insurance coverage against the fire, crime, and other perils more readily available for residential, business, and other properties meeting reasonable underwriting standards; and (2) provide a Federal program of reinsurance against abnormally high property insurance losses resulting from riots and other civil commotion, placing appropriate financial responsibility upon the States to share in such losses.

AMENDMENT OF THE NATIONAL HOUSING ACT

SEC. 1003. The National Housing Act is amended by adding at the end thereof the following new title:

"TITLE XII—NATIONAL INSURANCE DEVELOPMENT PROGRAM

"PROGRAM AUTHORITY

"SEC. 1201. (a) The Secretary is authorized to establish and carry out the programs provided for in parts A, B, and C of this title.

"(b)(1) The powers of the Secretary under this title shall terminate on April 30, 1973, except to the extent necessary—

"(A) to continue reinsurance in accordance with the provisions of section 1223(b) until April 30, 1976;

"(B) to process, verify, and pay claims for reinsured losses and perform other necessary functions in connection therewith; and

"(C) to complete the liquidation and termination of the reinsurance program.

(2) On April 30, 1976, or as soon thereafter as possible, the Secretary shall submit to the Congress, for its approval, a plan for the liquidation and termination of the reinsurance program.

"ADVISORY BOARD; MEETINGS, DUTIES, COMPENSATION AND EXPENSES

"SEC. 1202. (a)(1) There is established an Advisory Board (hereinafter called the 'Board') consisting of nineteen members appointed by the Secretary. Members of the Board shall be selected from among representatives of the general public, the insurance industry, State and local governments including State insurance authorities, and the Federal Government. Of these members of the Board, not more than six shall be regular full-time employees of the Federal Government, and not less than four shall be representatives of the private insurance industry and not less than four shall be representatives of State insurance authorities.

"(2) The Secretary shall designate a Chairman and a Vice Chairman of the Board.

"(3) Each member shall serve for a term of two years or until his successor has been appointed, except that no person who is appointed while a full-time employee of a State or the Federal Government shall serve in such position after he ceases to be so employed, unless he is reappointed.

"(4) Any member appointed to fill a vacancy occuring prior to the expiration of the term for which his predecessor was appointed shall be appointed for the remainder of that term.

"(b) The Chairman shall preside at all meetings, and the Vice Chairman shall preside in the absence or disability of the Chairman. In the absence of both the Chairman and Vice Chairman, the Secretary may appoint any member to act as Chairman pro tempore. The Board shall meet at such times and places as it or the Secretary may fix and determine, but shall hold at least four regularly scheduled meetings a year. Special meetings may be held at the call of the Chairman or any three members of the Board, or at the call of the Secretary.

"(c) The Board shall review general policies and shall advise the Secretary with respect thereto, and perform such other functions as are specified in this title.

"(d) The members of the Board shall not, by reason of such membership, be deemed to be employees of the United States, and such members, except those who are regular full-time employees of the Government, shall receive for their services, as members, the per diem equivalent to the rate for grade GS–18 of the General Schedule under section 5332 of title 5, United States Code, when engaged in the performance of their duties, and each member of the Board shall be allowed travel expenses, including per diem in lieu of subsistence, as authorized by section 5703 of such title for persons in the Government service employed intermittently.

"DEFINITIONS

"SEC. 1203. (a) When used in this title, unless the context otherwise requires, the term—

"(1) 'environmental hazard' means any hazardous condition that might give rise to loss under an insurance contract, but which is beyond the control of the property owner;

"(2) 'essential property insurance' means insurance against direct loss to property as defined and limited in standard fire policies and extended coverage endorsement thereon, as approved by the State insurance authority and the Secretary, and insurance for such types, classes, and locations of property against the perils of vandalism, malicious mischief, burglary, or theft, as the Secretary by rule shall designate. Such insurance shall not include automobile insurance and shall not include insurance on such types of manufacturing risks as may be excluded by the State insurance authority;

"(3) 'inspection facility', with respect to any State, means any rating bureau or other person designated by the State insurance authority to perform inspections under fair access to insurance requirements plans under part A;

"(4) 'insurer' includes any insurance company or group of companies under common ownership which is authorized to engage in the insurance business under the laws of any State;

"(5) 'pool' means any pool or association of insurance companies in any State which is formed, associated, or otherwise created for the purpose of making property insurance more readily available;

"(6) 'losses resulting from riots or civil disorders' means losses resulting from riots or civil disorders under policies for standard lines of property insurance for which reinsurance is offered under section 1221, as determined under regulations of the Secretary;

"(7) 'property owner', with respect to any real, personal, or mixed real and personal property, means any person having an insurable interest in such property;

"(8) 'person' includes any individual or group of individuals, corporation, partnership, or association, or any other organized group of persons;

"(9) 'reinsured losses' means losses on reinsurance claims and all direct expenses incurred in connection therewith including, but not limited to, expenses for processing, verifying, and paying such losses;

"(10) 'standard line of property insurance' includes—

"(A) fire and extended coverage;

"(B) vandalism and malicious mischief;

"(C) other allied lines of fire insurance;

"(D) burglary and theft;

"(E) those portions of multiple peril policies covering perils similar to those provided for in subparagraphs (A), (B), (C), and (D);

"(F) inland marine;

"(G) glass;

"(H) boiler and machinery;

"(I) ocean marine;

"(J) aircraft physical damage; and

"(K) such other lines generally offered to the public which include protection against damage from riot or civil commotion as the Secretary by regulation may designate;

"(11) 'State' means the several States, the District of Columbia, the Commonwealth of Puerto Rico, Guam, American Samoa, and the Trust Territory of the Pacific;

"(12) 'urban area' includes any municipality or other political subdivision of a State, subject to population or other limitations defined in rules and regulations of the Secretary and such additional areas as may be designated by the State insurance authority; and

"(13) 'year' means a calendar year, fiscal year of a company, or such other period of twelve months as may be designated by the Secretary.

"(b) The Secretary is authorized to define, by rules and regulations, any technical or trade term, insofar as such definition is not inconsistent with the provisions of this title.

"PART A—STATEWIDE PLANS TO ASSURE FAIR ACCESS TO INSURANCE REQUIREMENTS

"FAIR PLANS

"SEC. 1211. (a) Each insurer reinsured under this title shall cooperate with the State insurance authority in each State in which it is to acquire such reinsurance in establishing and carrying out statewide plans to assure fair access to insurance requirements (FAIR plans).

"(b) Such plans must be approved by the State insurance authority, or be authorized or required by State law, and shall be designed to make essential property insurance more readily available in, but not necessarily limited to, urban areas. Such plans may vary in detail from State to State because of local conditions, but all plans shall contain provision that—

"(1) no risk shall be written at surcharged rates or be denied insurance coverage for essential property insurance unless there has first been an inspection of the risk, without cost to the owner, by an inspection facility and a determination by the insurer, based on information in the inspection report and other sources, that the risk does not meet reasonable underwriting standards at the applicable premium rate;

"(2) inspections under the plan may be requested by the property owner or his representative, the insurer, or the insurance agent, broker or other producer, and such requests need not be made in writing;

"(3) the absence of a building owner or his representative during an inspection shall not preclude a tenant seeking insurance from obtaining an inspection under the plan;

"(4) following the inspection, a copy of the inspection report shall be promptly sent by the inspection facility to the insurer or insurers, or to an all-industry placement facility referred to under section 1212, as may be designated by the person requesting the inspection;

"(5) after the inspection report is received by an insurer, it shall promptly determine if the risk meets reasonable underwriting standards at the applicable premium rate, and shall promptly return to the inspection facility the inspection report and provide an action report setting forth—

"(A)(i) the amount of coverage it agrees to write; and if the insurer agrees to write the coverage with a surcharge (if such a surcharge is authorized by the State insurance authority), the improvements necessary before it will provide coverage at an unsurcharged premium rate; and

"(ii) the amount of coverage it agrees to write if certain improvements specified in the action report are made; or

"(B) the specific reasons it declines to write coverage;

"(6) if the insurer declines the risk, or agrees to write the coverage sought on condition that the property will be improved, it shall also promptly send a copy of both the inspection and action reports to the property owner and the State insurance authority, and at the time the insurer sends such reports to the property owner, it shall also explain his right, under applicable State laws, to appeal the decision of the insurer to the State insurance authority, setting forth the procedures to be followed for such appeal;

"(7) all policies written pursuant to the plan shall be promptly written after inspection or reinspection and shall be separately coded so that appropriate records may be compiled for purposes of performing loss prevention and other studies of the operation of the plan;

"(8) the inspection facility shall submit to the State insurance authority and to the Secretary periodic reports setting forth information, by individaul insurers, including the number of risks inspected under the plan, the number of risks accepted, the number of risks conditionally accepted and reinspections made, the number of risks declined, and such other information as the State insurance authority may request;

"(9) notice will be given to any policyholder a reasonable time prior to the cancellation or nonrenewal of any risk eligible under the plan (except in case of nonpayment of premium or evidence of incendiarism), to allow ample time for an application for new coverage to be made and a new policy to be written under the plan, and the insurer shall, in writing, explain to the policyholder the procedures for obtaining an inspection under the plan in the notice of cancellation or nonrenewal; and

"(10) a continuing public education program will be undertaken by the participating insurers, agents, and brokers to assure that the plan receives adequate public attention.

"ALL-INDUSTRY PLACEMENT FACILITY

"SEC. 1212. Any plan under this part shall include an all-industry placement facility doing business with every insurer participating in the plan in the State, and shall provide that this facility shall perform certain functions including, but not limited to, the following:

"(1) seeking, upon request by or on behalf of any property owner requesting an inspection under the plan, to distribute the risks involved equitably among the insurers with which it is doing business; and

"(2) seeking to place insurance up to the full insurable value of the risk to be insured with one or more insurers with which it is doing business, except to the extent that deductibles, percentage participation clauses, and other underwriting devices are employed to meet special problems of insurability.

"INDUSTRY COOPERATION

"SEC. 1213. (a) Every insurer seeking reinsurance under this title shall file a statement with the State insurance authority in each State in which it is participating in a plan under this part, pledging its full participation and cooperation in carrying out the plan, and shall file a copy of such statement with the Secretary.

"(b) No insurer acquiring reinsurance under this title shall direct any agent or broker or other producer not to solicit business through such a plan, nor shall any agent, broker, or other producer be penalized by such insurer in any way for submitting applications for insurance to an insurer under the plan.

"PLAN EVALUATION

"SEC. 1214. (a) In accordance with such rules and regulations as the Secretary may prescribe, each State insurance authority shall—

"(1) transmit to the Secretary any proposed or adopted plan, or amendments thereto; and

"(2) advise the Secretary, from time to time, concerning the operation of the plan, its effectiveness in providing essential property insurance, and the need to form a pool of insurers or adopt other programs to make essential property insurance more readily available in urban areas of the State.

"(b) The Secretary may, after full consultation with the Board, by rules and regulations, modify the plan criteria set forth under this part, if it finds, on the basis of experience, that such action is necessary or desirable to carry out the purposes of this title. The Secretary may also, with respect to any State, waive compliance with one or more of the plan criteria, upon certification by the State insurance authority that compliance is unnecessary or inadvisable under local conditions or State law.

"PART B—REINSURANCE COVERAGE

"REINSURANCE OF LOSSES FROM RIOTS OR CIVIL DISORDERS

"SEC. 1221. (a)(1) The Secretary is authorized to offer to any insurer or pool, subject to the conditions set forth in section 1223, reinsurance against property losses resulting from riots or civil disorders in any one or more States.

"(2) Reinsurance shall be offered to any such insurer or pool only on all standard lines of property insurance enumerated under subparagraphs (A) through (E) of section 1203(a)(10) together, and any insurer or pool purchasing such reinsurance shall also be eligible to purchase reinsurance on any one or more standard lines of property insurance enumerated under subparagraphs (F) through (J) of section 1203(a)(10) or which may be designated by regulation pursuant to subparagraph (K) of that section.

"(b) Reinsurance coverage under this section may be provided immediately following the enactment of this title to any insurer or pool in any State on a temporary basis, and on such terms and conditions as may be agreed upon, and coverage under such terms and conditions may be bound with respect to any such insurer or pool by means of a written binder which shall remain in force not more than ninety days and shall expire at the earlier of either—

"(1) the termination of such ninety-day period, or

"(2) the effective date of any governing contract, agreement, treaty, or other arrangement entered into between the insurer or pool and the Secretary under section 1222 for the purpose of providing reinsurance coverage against losses resulting from riots or civil disorders.

"(c) No reinsurance shall be offered to any insurer or pool in a State after the expiration of the written binder entered into under subsection (b), unless there is in effect in such State a plan as set forth under part A and the insurer or pool is participating in such plan, and unless, in the case of an insurer in a State where a pool has been established pursuant to State law, the insurer is participating in such a pool.

"REINSURANCE AGREEMENTS AND PREMIUMS

"SEC. 1222. (a) During the first year following the date of the enactment of this title, the Secretary is authorized to enter into any contract, agreement, treaty, or other arrangement with any insurer or pool for reinsurance coverage, in consideration of payment of such premiums, fees, or other charges by insurers or pools which the Secretary, after full consultation with the Board, deems to be adequate to obtain aggregate reinsurance premiums for deposit in the National Insurance Development Fund established under section 1233 in excess of the estimated amount of insured riot losses during the calendar year 1967, on the assumption that a substantial proportion of the property insurance written will be reinsured under this title, and thereafter the Secretary may increase or decrease such premiums for reinsurance if it is found after full consultation with the Board and the National Association of Insurance Commissioners that such action is necessary or appropriate to carry out the purposes of this title.

"(b) Reinsurance offered under this title shall reimburse an insurer or pool for its total proved and approved claims for covered losses resulting from riots or civil disorders during the term of the reinsurance contract, agreement, treaty, or other arrangement, over and above the amount of the insurer's or pool's retention of such losses as provided in such reinsurance contract, agreement, treaty, or other arrangement entered into under this section.

"(c) Such contracts, agreements, treaties, or other arrangements may be made without regard to section 3679(a) of the Revised Statutes of the United States (31 U.S.C. 665(a)), and shall include any terms and conditions which the Secretary deems necessary to carry out the purposes of this title. The premium rates, terms, and conditions of such contracts with insurers or pools, throughout the country, in any one year shall be uniform.

"(d) Any contract, agreement, treaty, or other arrangement for reinsurance under this section shall be for a term expiring on April 30, 1969, and on April 30 each year thereafter, and shall be entered into within ninety days after the date of the enactment of this title or within ninety days prior to April 30 each year thereafter, or within ninety days after an insurer is authorized to write insurance eligible for reinsurance in a State which it was not authorized to write in the preceding year.

"CONDITIONS OF REINSURANCE

"SEC. 1223. (a) Subject to the provisions of subsection (b), reinsurance shall not be offered by the Secretary in a State or be applicable to insurance policies written in that State by an insurer—

"(1) after one year following the date of the enactment of this title, or, if the appropriate State legislative body has not met in regular session during that year, by the close of its next regular session, in any State which has not adopted appropriate legislation, retroactive to the date of the enactment of this title, under which the State, its political subdivisions, or a governmenal corporation or fund established pursuant to State law, will reimubure the Secretary, in an amount up to 5 per centum of the aggregate property insurance premiums earned in that State during the preceding calendar year on those lines of insurance reinsured by the Secretary in that State during the current year, such that the Secretary may be reimbursed for amounts paid by him in respect to reinsured losses that occurred in that State during a calendar year in excess of (A) reinsurance premiums received in that State during the same calendar year plus (B) the excess of (i) the total premiums received by the Secretary for reinsurance in that State during a preceding period measured from the end of the most recent calendar year with respect to which the Secretary was reimbursed for losses under this title over (ii) any amounts paid by the Secretary for reinsured losses that occurred during this same period;

"(2) after thirty days following notification to the insurer that the Secretary finds that there has not been adopted by the State, or the property insurance industry in that State, a suitable program or programs, in addition to plans under part A, to make essential property insurance available without regard to environmental hazards, and that such action is necessary to carry out the purposes of this title; except that this paragraph shall not become effective until two years after the date of the enactment of this title, or at such earlier date as the Secretary, after consultation with the State insurance authority, may determine;

"(3) after thirty days following notification to the insurer that the Secretary, or the State insurance authority, finds that such insurer is not fully participating—

"(A) in the plan in the State;

"(B) where it exists, in a pool; and

"(C) where it exists, in any other program found by the Secretary to aid in making essential property insurance more readily available in the State;

"(4) following a merger, acquisition, consolidation or reorganization involving one or more insurers having lines of property insurance in the State reinsured under this title and one or more insurers with or without such reinsurance, unless the surviving company—

"(A) meets the criteria of eligibility for reinsurance, other than as provided under section 1222(d); and

"(B) within ten days pays any reinsurance premiums due; or

"(5) upon receipt of notice from the insurer or pool that it desires to cancel its reinsurance agreement with the Secretary in the State.

"(b) Notwithstanding the foregoing provisions of this section, reinsurance may be continued for the terms of the policies written prior to the date of termination or nonrenewal of reinsurance under this section, for as long as the insurer pays reinsurance premiums annually in such amounts as are determined under section 1222, based on the annual premiums earned on such reinsured policies, and for the purpose of this subsection, the renewal, extension, modification, or other change in a policy, for which any additional premium is charged, shall be deemed to be a policy written on the date such change was made.

"RECOVER OF PREMIUMS; STATUTE OF LIMITATIONS

"SEC. 1224. (a) The Secretary, in a suit brought in the appropriate United States district court, shall be entitled to recover from any insurer the amount of any unpaid premiums lawfully payable by such insurer to the Secretary.

"(b) No action or proceeding shall be brought for the recovery of any premium due to the Secretary for reinsurance, or for the recovery of any premium paid to the Secretary in excess of the amount due to him, unless such action or proceeding shall have been brought within five years after the right accrued for which the claim is made, except that, where the insurer has made or filed with the Secretary a false or fraudulent annual statement, or other document with the intent to evade, in whole or in part, the payment of premiums, the claim shall not be deemed to have accrued until its discovery by the Secretary.

"PART C—PROVISIONS OF GENERAL APPLICABILITY

"CLAIMS AND JUDICIAL REVIEW

"SEC. 1231. (a) All reinsurance claims for losses under this title shall be submitted by insurers in accordance with such terms and conditions as may be established by the Secretary.

"(b)(1) Upon disallowance of any claim under color of reinsurance made available under this title, or upon refusal of the claimant to accept the amount allowed upon any such claim, the claimant may institute an action against the Secretary on such claim in the United States district court for the district in which a major portion (in terms of value) of the claim arose.

"(2) Any such action must be begun within one year after the date upon which the claimant received written notice of disallowance or partial disallowance of the claim, and exclusive jurisdiction is hereby conferred upon United States district courts to hear and determine such actions without regard to the amount in controversy.

"FISCAL INTERMEDIARIES AND SERVICING AGENTS

"SEC. 1232. (a) In order to provide for maximum efficiency in the administration of the reinsurance program under this title, and in order to facilitate the expeditious payment of any funds under such program, the Secretary may enter into contracts with any insurer, pool, or other person, for

the purpose of providing for the performance of any or all of the following functions:

"(1) estimating or determining any amounts of payments for reinsurance claims;

"(2) receiving and disbursing and accounting for funds in making payments for reinsurance claims;

"(3) auditing the records of any insurer, pool, or other person to the extent necessary to assure that proper payments are made;

"(4) establishing the basis of liability for reinsurance payments, including the total amount of proved and approved claims which may be payable to any insurer, and the total amount of premiums earned by any insurer in the respective States for reinsured lines of property insurance; and

"(5) otherwise assisting in any manner provided in the contract to further the purposes of this title.

"(b)(1) Any such contract may require the insurer, pool, or other person, or any of its officers or employees certifying payments or disbursing funds pursuant to the contract, or otherwise participating in carrying out the contract, to give surety bond to the United States in such amounts as the Secretary may deem appropriate.

"(2) In the absence of gross negligence or intent to defraud the United States—

"(A) no individual designated pursuant to a contract under this section to certify payments shall be liable with respect to any payment certified by him under this section; and

"(B) no officer of the United States disbursing funds shall be liable with respect to any otherwise proper payment by him if it was based on a voucher signed by an individual designated pursuant to a contract under this section to certify payments.

"NATIONAL INSURANCE DEVELOPMENT FUND

"SEC. 1233. (a) To carry out the programs authorized under this title, the Secretary is authorized to establish a National Insurance Development Fund (hereinafter called the 'fund') which shall be available, without fiscal year limitations—

"(1) to make such payments as may, from time to time, be required under reinsurance contracts under this title;

"(2) to pay such administrative expenses as may be necessary or appropriate to carry out the purposes of this title; and

"(3) to repay to the Secretary of the Treasury such sums, including interest thereon, as may be borrowed from him for purposes of such programs under section 520(b).

"(b) The fund shall be credited with—

"(1) reinsurance premiums, fees, and other charges which may be paid or collected in connection with reinsurance provided under Part B;

"(2) interest which may be earned on investments of the fund;

"(3) such amounts as may be advanced to the fund from appropriations in order to maintain the fund in an operative condition adequate to meet its liabilities;

"(4) receipts from any other source which may, from time to time, be credited to the fund; and

"(5) funds borrowed by the Secretary under section 520(b) and deposited in the fund.

"(c) If, after any amounts which may have been advanced to the fund from appropriations have been credited to the appropriation from which advanced (including interest thereon at the rate prescribed under section 520(b)), the Secretary determines that the moneys of the fund are in excess of current needs, he may request the investment of such amounts as he deems advisable by the Secretary of the Treasury in obligations issued or guaranteed by the United States.

"RECORDS, ANNUAL STATEMENT, AND AUDITS

"SEC. 1234. (a) Any insurer or pool acquiring reinsurance under this title shall furnish the Secretary with such summaries and analyses of information in its records as may be necessary to carry out the purposes of this title, in such form as the Secretary, in cooperation with the State insurance authority, shall, by rules and regulations, prescribe. The Secretary shall make use of State insurance authority examination reports and facilities to the maximum extent feasible.

"(b) Any insurer or pool acquiring reinsurance under this title shall file with the Secretary a true and correct copy of any annual statement, or amendment thereof, filed with the State insurance authority of its domiciliary State, at the time it files such statement or amendment with such State insurance authority.

"(c) Any insurer or other person executing any contract, agreement, or other appropriate arrangement with the Secretary under section 1222 or section 1232 shall keep reasonable records which fully disclose the total costs of the programs undertaken or the services being rendered, and such other records as will facilitate an effective audit of liability for reinsurance payments by the Secretary.

"(d) The Secretary and the Comptroller General of the United States, or any of their duly authorized representatives, shall have access for the purpose of investigation, audit, and examination to any books, documents, papers, and records of any insurer or other person that are pertinent to the costs of any program undertaken for, or services rendered to, the Secretary. Such audits shall be conducted to the maximum extent feasible in cooperation with the State insurance authorities and through the use of their examining facilities.

"STUDY OF REINSURANCE AND OTHER PROGRAMS

"SEC. 1235. (a) The Secretary is authorized and directed to conduct a study of reinsurance and other means to help assure—

"(1) an adequate market for burglary and theft and other property insurance in urban areas; and

"(2) adequate availability of surety bonds for construction contractors in urban areas.

"(b) The Secretary shall submit the results of this study, together with appropriate recommendations, to the President and Congress no later than one year following the date of the enactment of this title.

"OTHER STUDIES

"SEC. 1236. (a) The Secretary is authorized to undertake such studies as may be necessary to carry out the purposes of this title including, but not limited to, inquiries concerning—

"(1) the operation of plans under part A;

"(2) the extent to which essential property insurance is unavailable in urban areas;

"(3) the market for private reinsurance; and

"(4) loss prevention methods and procedures, insurance marketing methods, and underwriting techniques.

"(b) To such extent and under such circumstances as he deems appropriate, the Secretary may conduct any study authorized under this section in cooperation with State insurance authorities and the private insurance industry.

"GENERAL POWERS

"SEC. 1237. In the performance of, and with respect to, the functions, powers, and duties vested in him by this title, the Secretary shall (in addition to any authority otherwise vested in him) have the functions, powers, and duties (including the authority to issue rules and regulations) set forth in section 402, except subsections (c)(2), (d), and (f), of the Housing Act of 1950.

"SERVICES AND FACILITIES OF OTHER AGENCIES—UTILITIZATION OF PERSONNEL, SERVICES, FACILITIES, AND INFORMATION

"SEC. 1238. The Secretary may, with the censent of the agency concerned, accept and utilize, on a reimbursable basis, the officers, employees, services, facilities, and information of any agency of the Federal Government, except that any such agency having custody of any data relating to any of the matters within the jurisdiction of the Secretary shall, to the extent permitted by law, upon request of the Secretary, make such data available to the Secretary.

"ADVANCE PAYMENTS

"SEC. 1239. Any payments which are made under the authority of this title may be made, after necessary adjustments on account of previously made underpayments or overpayments in advance or by way of reimbursement. Payments may be made in such installments and on such conditions as the Secretary may determine.

"TAXATION

"SEC. 1240. (a) The National Insurance Development Fund, including its reserves, surplus, and income, shall be exempt from all taxation now or hereafter imposed by the United States, or by any State, or any subdivision thereof, except that any real property acquired by the Secretary as a result of reinsurance shall be subject to taxation by any State or political subdivision thereof, to the same extent, according to its value, as other real property is taxed.

"(b) Any measures undertaken by any State to meet or to fund its obligations under section 1223(a)(1) shall not be the subject of any retaliatory or fiscal imposition by any other State.

"APPROPRIATIONS

"SEC. 1241. There are hereby authorized to be appropriated such sums as may be necessary to carry out this title."

FINANCING

SEC. 1004. Section 520(b) of the National Housing Act is amended by inserting "(1)" after "necessarry" in the first sentence, and by striking out the period at the end of such sentence and inserting in lieu thereof "; and (2) to make payments for reinsured losses under title XII of this Act: *Provided, however,* That borrowings to make payments for reinsured losses under title XII shall be limited to $150,000,000 or such further sum as the Congress, by joint resolution, may from time to time determine."

Mr. PATMAN (during the reading). Mr. Chairman, I ask unanimous consent that title X be considered as read, printed in the RECORD, and open to amendment at any point.

The CHAIRMAN. Is there objection to the request of the gentleman from Texas?

There was no objection.

AMENDMENT OFFERED BY MR. ANNUNZIO

Mr. ANNUNZIO. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

On page 201, line 19, strike "or".

On page 201, immediately after line 19, insert:

"(5) if the insurer has cancelled or failed to renew one or more policies providing for essential property insurance after April 1, 1968, and has failed to offer similar coverage on equivalent terms prior to the expiration of thirty days after the date of enactment of this title, unless the Secretary on the recommendation of the State insurance authority, finds (a) that such cancellations or failures to renew were not inconsistent with the purposes of this title, or

(b) afer December 31, 1969, that the insurer has been participating fully in any programs adopted in the state or as required under this title to make essential property insurance readily available."

On page 201, line 20, redesignate paragraph (5) as paragraph (6).

Mr. ANNUNZIO. Mr. Chairman, the purpose of my amendment is to deal realistically with one of the major aspects of the insurance crisis in our cities. As most of the Members from urban areas or from districts which have large cities within them are aware, there have been innumerable cancellations and refusals to renew property insurance policies. Such cancellations and refusals have resulted in untold hardships for property owners and small businessmen. They cannot get improvement loans. They cannot expand their businesses and, most tragic, a single property loss can wipe them out entirely.

The extent of these policy cancellations is not known, but we do know that they are widespread and that they have occurred in recent months. Some of these cancellations may have been justified on the ground that the lack of the riot reinsurance provided by this bill has made the risks involved an untenable burden for the insurance industry. However, once the federal riot reinsurance is offered, there is no excuse in the world why these policies should not be reinstated immediately rather than delay until there is full implementation of the so-called FAIR plans.

My amendment provides that Federal riot reinsurance will not be available to insurance companies which have canceled policies after April 1, 1968, and fail to reinstate such policies within 30 days after the enactment of this act.

The amendment recognizes that a refusal to reinstate the cancellations may be wholly justified because the risk has become uninsurable or because similar coverage at equivalent rates has been obtained elsewhere or for some other such reason. Therefore, my amendment provides that the Secretary may, if the State commissioner so recommends, offer reinsurance to insurers who have canceled or failed to renew if such cancelations or failures to renew were not inconsistent with the purposes of this title. Thus, the State Commissioner can determine the validity of the insurer's motives and the Secretary may then decide to offer the reinsurance. The amendment also comports with the statutory scheme of emphasis on the responsibility of the industry and the State commissioners. It is no secret to Members of Congress that insurance companies have arbitrarily canceled insurance on your own homes.

Mr. Chairman, I urge the adoption of my amendment.

Mr. PATMAN. Mr. Chairman, will the gentleman yield?

Mr. ANNUNZIO. I am happy to yield to the gentleman from Texas.

Mr. PATMAN. The Members and staff have studied this amendment, and we are willing to accept it on this side. We realize it will be in conference, and final action will have to be taken.

Mr. BROCK. Mr. Chairman, will the gentleman yield?

Mr. ANNUNZIO. I am happy to yield to my colleague from Tennessee.

Mr. BROCK. Would the gentleman explain just exactly what he is trying to do? Perhaps I misunderstood, but I gather this relates to an insurance company which has canceled insurance. In what period of time?

Mr. ANNUNZIO. As the gentleman from Tennessee knows, yesterday the Committee of the Whole adopted two amendments which established certain limits and placed restrictions on the Secretary of Housing and Urban Development.

All that my amendment would do is make provision regarding insurance companies which have recently canceled insurance in riot areas. I have newspaper clippings about that. Most of the Members of the House are familiar with the investigations in this area being carried on by the States of New York, New Jersey, and Kentucky.

If the insurance companies are to participate in the so-called FAIR insurance plan, a requirement will have to be met. I am trying to place a limit of April 1, 1968, instead of leaving it to the discretion of the Secretary. I ask that we place that limit, as we did yesterday on a couple of amendments to the bill, so that these people who need insurance in the ghetto areas of our cities will have a particular date to go from.

Mr. BROCK. The gentleman says, if it were in operation on the first of April of this year?

Mr. ANNUNZIO. Yes.

Mr. BROCK. If they had canceled the policy prior to that time they would not be qualified under the program?

Mr. ANNUNZIO. No.

Mr. BROCK. Is that any business of insurance in the city, or for that particular company?

Mr. ANNUNZIO. We are talking about the companies which have canceled insurance.

Mr. BROCK. In other words, the gentleman is saying that every company which has canceled a policy will be precluded from participation in this program?

Mr. ANNUNZIO. I am not saying that. I am just saying, after April 1, 1968, all things being equal, insurance companies be given consideration. As to these cancellations, those who cover insurance for these particular States, or the commissioners of insurance, can look into the matter. These people con become eligible for reinsurance.

Mr. BROCK. So the amendment does not affect the participation of a company at all?

Mr. ANNUNZIO. It does not affect the participation of a company if they comply with the law.

Mr. BROCK. It just says that the insurance commissioner shall look at the areas which had canceled policies and try to get them more insurance.

Mr. ANNUNZIO. The Secretary.

Mr. BROCK. Is that not what would happen under any circumstances, regardless of whether it is put in the bill or not?

Mr. ANNUNZIO. I merely try to spell it out so that there will be no misunderstanding.

Mr. MOORHEAD. Mr. Chairman, will the gentleman yield?

Mr. ANNUNZIO. I yield to the gentleman from Pennsylvania.

Mr. MOORHEAD. I should like to say to the gentleman from Tennessee, I believe this would be the situation under the bill without the amendment, but the gentleman from Illinois wanted to be absolutely sure, so I would accept the amendment.

Mrs. SULLIVAN. Mr. Chairman, will the gentleman yield?

Mr. ANNUNZIO. I am happy to yield to my distinguished colleague from Missouri.

Mrs. SULLIVAN. Mr. Chairman, I rise in support of this amendment. As most of you know, many property owners had their insurance coverages canceled or could not get their coverage renewed in the inner city areas of our cities even before the riots of last April. Now the number of these cancellations and nonrenewals have reached an intolerable level. The newspapers are daily reporting mass cancellations in sharply increasing numbers in cities all across the land. In my own city of St. Louis, the Royal Globe group has threatened to give a 30-day notice on July 10 to cancel a $52.4 million fire insurance policy on five public housing projects as of August 10, 1968. Some of us have worked 20 years to help these people find homes. And now, if this insurance is canceled, these people run another risk of losing their homes.

This amendment will bring a halt to this cancellation practice and will reverse the situation. It will provide immediate help to those property owners whose coverage has been canceled through no fault of their own. It will make a significant improvement to the bill.

(Mrs. SULLIVAN and Mr. ANNUNZIO asked and were given permission to revise and extend their remarks.)

Mr. BROCK. Mr. Chairman, I move to strike the requisite number of words.

I have been more and more distressed by the course of the debate of this particular bill.

I do not know that in my 6 years in this Congress I have encountered a more complex or comprehensive piece of legislation. We have seen amendments offered, some defeated, some accepted, and some passed by a vote on the floor. Very few Members of the House seem to have a great deal of interest in or knowledge of what is incorporated in these amendments. Now we offer an amendment which tells the States or HUD to pay attention to areas where insurance has been canceled because of riots. The whole thrust and purpose of the riot section is to get insurance into these areas. It seems to me we may be taking a rather dangerous step with this amendment. At least it is redundant. It could be a great deal worse, but I do not know what is in the amendment. I question the wisdom on the part of the majority of accepting an amendment which I think could have very unfortunate repercussions.

Mr. Chairman, I would urge the defeat of the amendment.

Mr. GROSS. Mr. Chairman, will the gentleman yield?

Mr. BROCK. Yes. I yield to the gentleman.

Mr. GROSS. What is magical about the date of April 1? Would that be in connection with the riots on or about April 1 or subsequent thereto? What is magic about that date?

Mr. BROCK. I think the author of the amendment should respond.

Mr. ANNUNZIO. Will the gentleman yield?

Mr. BROCK. Yes. I yield.

Mr. ANNUNZIO. My amendment says after April 1.

Mr. GROSS. If the gentleman will yield further, what is the meaning of the date April 1 in your amendment or your reference to that date?

Mr. ANNUNZIO. We are setting a limit or a cutoff date. All this amendment does is to reestablish the insurance for the people in the ghettos for the people that have been canceled out.

Mr. GROSS. As of April 1?

Mr. ANNUNZIO. Without cause.

Mr. GROSS. What is the magic of the date April 1?

Mr. BROCK. What happens to the insurance that was canceled after April 1? That is where your amendment applies.

Mr. ANNUNZIO. If the gentleman will yield further, the same thing applies. If they are eligible for insurance, the companies and the recipients of the insurance will receive the insurance, but if they are canceled before, if these companies arbitrarily cancel these people out, after April 1 they must show cause. If the cause is not justified, then the company will not be able to participate under the terms of this.

Mr. BROCK. In other words, if they are late in their payments, cancellation is justifiable?

Mr. ANNUNZIO. No.

Mr. BROCK. Mr. Chairman, I oppose the amendment.

Mr. JONAS. Mr. Chairman, I move to strike the last word.

Mr. Chairman, I take this time only to ask the Chairman if it would be possible to have the amendment reread.

The CHAIRMAN. The Clerk will reread the amendment.

The Clerk reread the amendment.

Mr. JONAS. Mr. Chairman, it sounds to me that this is a provision imposing a penalty upon insurance companies who exercised their legal rights under the policies to cancel them. I do not believe that this Committee should undertake, in this summary fashion and without a more thorough study of what is involved here, to impose such a penalty upon insurance companies. Therefore, Mr. Chairman, I shall have to oppose this act.

Mr. BROCK. Mr. Chairman, will the gentleman yield?

Mr. JONAS. I yield to the gentleman from Tennessee.

Mr. BROCK. Mr. Chairman, if I might inquire of the author of the amendment, I do not see where the administrator is going to get the guidelines under which to make this kind of a decision as to where is the proper cancellation and where is the improper cancellation.

There are all kinds and circumstances upon which one can make this decision. It seems to me that we are making a very dangerous decision, making a very dangerous decision by providing that this be retroactive to April.

Mr. ANNUNZIO. I am sure that the gentleman from Tennessee is aware of the fact that, beginning April first of this year, that a number of insurance companies have made wholesale cancellations of insurance.

Mr. BROCK. That is right.

Mr. ANNUNZIO. And, in the various areas where riots have occurred throughout the country, this has been true.

Mr. Chairman, all that my amendment proposes to do is this:

(5) If the insurer has cancelled or failed to renew one or more policies providing for essential property insurance after April 1, 1968, and has failed to offer similar coverage on the prevalent terms prior to the expiration of 30 days after the date of enactment of this title, unless the Secretary, on the recommendation of the State insurance authority, finds (a) that such cancellation or failures to renew were not inconsistent with the purposes of this title, or (b) after December 31, 1969, that the insurer has been participating fully in any programs adopted in the State or as required under this title to make essential property insurance readily available.

In other words, it means that these people, where their insurance policies have been canceled out, without cause, can at least get a hearing before the Commissioner of Insurance and, if they meet all of the criteria and are eligible for insurance from a particular insurance company that has canceled them out the Commissioner can go into these questions and ask the insurer to reinstate the policy.

Mr. BROCK. But all of the authority which we are granting by this kind of delegation of authority is to a State insurance commission.

Mr. ANNUNZIO. That is granted under the FAIR insurance plan. If these companies do not cooperate, why should they have the opportunity to operate under the FAIR insurance plan?

Mr. JONAS. Mr. Chairman, this bill should be prospective, and not retroactive, as would be the case if this amendment is adopted, and it provides the imposition of a penalty on an insurance company for exercising legal rights under its contract.

Mr. ANNUNZIO. Mr. Chairman, if the gentleman will yield, I wish to assure the gentleman that I am not interested in imposing a penalty upon any insurance company, but I am interested in the need of the small businessman and others who operate and live in the ghettos of America getting a break from these insurance companies under the FAIR insurance plan. However, if they do not cooperate, they would not be able to participate under the FAIR insurance plan. If we do not have a plan like this, we will have in our metropolitan areas, in our cities, in our ghettos, plywood buildings and stores constructed of lesser material.

The CHAIRMAN. The time of the gentleman from North Carolina has expired.

(On request of Mr. BROCK, and by unanimous consent, Mr. JONAS was allowed to proceed for 5 additional minutes.)

Mr. BROCK. Mr. Chairman, will the gentleman yield?

Mr. JONAS. I yield to the gentleman from Tennessee.

Mr. BROCK. In line with the last comment of the gentleman from Illinois, I think we may be getting closer to a compromise. Would the gentleman be willing to accept an amendment to his amendment which would state that this provision would be effective upon the enactment of this section instead of going back to the first of April? If the gentleman would accept such an amendment to his amendment I believe he would have a very valid point.

Mr. ANNUNZIO. I will accept that amendment to my amendment.

Mr. JONAS. Mr. Chairman, I yield back the balance of my time.

Mr. GROSS. Mr. Chairman, I move to strike the last three words.

(Mr. GROSS asked and was given permission to revise and extend his remarks.)

Mr. GROSS. Mr. Chairman, I assume somebody needs time to get an amendment prepared.

Mr. BELCHER. Mr. Chairman, will the gentleman yield?

Mr. GROSS. I yield to the gentleman from Oklahoma.

Mr. BELCHER. I thank the gentleman for yielding.

Mr. Chairman, I am more confused than I was before. We have been accepting amendments so fast this afternoon I cannot keep up with them. And now the gentleman on this side of the aisle asks the gentleman on that side of the aisle if he will accept an amendment to his amendment, and the gentleman on the other side of the aisle accepts it, and then pretty soon the 434 Members of the Congress are supposed to enact that into law.

Mr. Chairman, I do not believe there are 10 Members in this House who understand entirely, and can explain exactly, the significance of this amendment, and the acceptance of the amendment proposed by the gentleman on this side and the acceptance of that amendment by the author on the other side.

If there are 10 Members who can explain what that would do to the insurance companies, then I would like to see them explain it.

Mr. GROSS. So would I; I would say to my friend from Oklahoma. I would like to know what this amendment will do.

What is this going to cost the taxpayers of the country, the whole kit and caboodle, with respect to this so-called FAIR insurance, or whatever it is, this attempt to subsidize the insurance companies for writing insurance in so-called ghetto areas, or whatever they are? How much is this going to cost the taxpayers of the entire country?

Mr. MONTGOMERY. Mr. Chairman, will the gentleman yield?

Mr. GROSS. I yield to the gentleman from Mississippi, and I hope the gentleman can shed some light on it.

Mr. MONTGOMERY. Mr. Chairman, I thank the gentleman for yielding.

I do not know whether I can shed any light on this or not; I am as confused as the gentleman is.

It seems to me, Mr. Chairman, that after studying the insurance section of the bill, as I understand it, insurance companies, even if they will have this reinsurance, can turn down certain policies that are submitted to their companies. I believe if we adopt this amendment, the way I interpret it, the insurance companies will not have the option of turning down certain particularly bad risks; they will have to accept every risk.

I agree with the gentleman that possibly this amendment should be studied and discussed more.

Mr. Chairman, again I thank the gentleman for yielding to me. As I say, it seems to me if we adopt this amendment we are going to change the whole insurance section of this bill; we are going to say now that the insurance companies would have to accept every policy that has the Government reinsurance responsibility behind it. I hope the amendment is defeated and, as the gentleman from Iowa has said, this amendment could still cost the taxpayer more money.

Mr. GROSS. It is not sufficient to say that it is not going to cost the taxpayers any money simply because the first burden may be shifted from the Federal Government to the States. The taxpayers in the States will have to foot the bill if they subsidize the insurance companies.

But in the end, of course, there is always good old Santa Claus here in Washington if the States fail or refuse to ante up.

Mr. Chairman, this bill is probably the longest single step Congress has taken in the last 20 years on the road to socialism. There is something in it for everybody except middle-class citizens. They get the privilege of paying the taxes.

Mr. BROCK. Mr. Chairman, will the gentleman yield?

Mr. GROSS. I yield to the gentleman from Tennessee.

Mr. BROCK. Mr. Chairman, I was in a colloquy with my colleagues here as to the suggestions I had made that we make this amendment concurrent with the bill, and not make it retroactive, and after giving the matter further consideration, Mr. Chairman, it seems to me that that simply would result in repetition of what is already in the control provision, and I believe actually that the amendment is redundant.

Therefore, Mr. Chairman, I intend to offer no substitute amendment, and I believe the amendment should be defeated.

Mr. GROSS. The gentleman has made the right decision. Let us defeat the original amendment.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Illinois [Mr. ANNUNZIO].

The amendment was rejected.

AMENDMENT OFFERED BY MR. PATTEN

Mr. PATTEN. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. PATTEN: On page 211, immediately after line 14, insert the following:

"TITLE XI—DISTRICT OF COLUMBIA INSURANCE PLACEMENT ACT

"SHORT TITLE

"SEC. 1101. This title may be cited as the 'District of Columbia Insurance Placement Act'.

"DECLARATION OF PURPOSE

"SEC. 1102. The purposes of this title are—

"(1) to assure stability in the property insurance market for property located in the District of Columbia;

"(2) to assure the availability of basic property insurance as defined by this title;

"(3) to encourage maximum use, in obtaining basic property insurance, of the normal insurance market provided by authorized insurers; and

"(4) to provide for the equitable distribution among insurers of the responsibility for insuring qualified property for which basic property insurance cannot be obtained through the normal insurance market by authorizing the establishment of a joint underwriting association.

"DEFINITIONS

"SEC. 1103. As used in this title, unless the context otherwise requires—

"(a) 'Commissioner' means the Commissioner of the District of Columbia or his designated agent.

"(b) 'Basic property insurance' means insurance against direct loss to property caused by perils as defined and limited in the standard fire policy and extended coverage endorsement thereon as approved by the Commissioner, and such other property insurance coverages, including, but not limited to, vandalism and malicious mischief, burglary, theft, and robbery, for such types, classes, and locations of property as may be designated by the Commissioner pursuant to the procedures set out in section 1105 of this title, but shall not include insurance on automobiles.

"(c) 'Environmental hazard' means any hazardous condition that might give rise to loss under an insurance contract, but which is beyond the control of the property owner.

"(d) 'Inspection bureau' means the rating bureau or other organization designated by the Commissioner to perform inspections to determine the condition of the properties for which basic property insurance is sought.

"(e) 'Industry Placement Facility' means the facility formed by all insurers licensed to write and engaged in writing basic property insurance (including homeowners and commercial multiperil policies) within the District of Columbia to assist agents, brokers, and applicants in securing basic property insurance.

"(f) 'Premiums written' means gross direct premiums charged with respect to property in the District of Columbia on all policies of basic property insurance and the basic property insurance premium components of all multiperil policies, less all premiums and dividends returned paid, or credited to policyholders or the unused or unabsorbed portions of premium deposits.

"(g) 'Property owner' means any person having an insurable interest in real, personal, or mixed real and personal property.

"INDUSTRY PLACEMENT FACILITY

"SEC. 1104. (a) Within thirty days after the effective date of this title all insurers licensed to write and engaged in writing in the District of Columbia, on a direct basis, basic property insurance or any component thereof in multiperil policies, shall establish an Industry Placement Facility to formulate and administer a program, subject to disapproval by the Commissioner in whole or in part, to seek the equitable apportionment among such insureres of basic property insurance which may be afforded applicants in the District of Columbia whose property is insurable in accordance with reasonable underwriting standards and who individually or through their insurance agent or broker request the aid of the Facility to procure such insurance. The Facility shall seek to place insurance with one or more participating companies up to the full insurable value of the risk, if requested, except to the extent that deductibles, percentage participation clauses and other underwriting devices are employed to meet special problems of insurability.

"(b) The Facility may, subject to the approval of the Commissioner, provide as part of its program for the equitable distribution of commercial risks and dwelling risks among insurers.

"(c) Each such insurer shall participate in the Industry Placement Facility program in accordance with the established rules of the program as a condition of its authority to transact such kinds of insurance in the District of Columbia: *Provided*, That in lieu of revoking or suspending the certificate of authority of any company for any failure to comply with any of the established rules of the program, the Commissioner may subject such company to a penalty of not more than $200 for each such failure to so comply when in his judgment he finds that the public interest would be best served by the continued operation of the company in the District of Columbia.

"FAIR ACCESS TO INSURANCE REQUIREMENTS

"SEC. 1105. (a) The Industry Placement Facility shall on its own motion, or within thirty days after a request by the Commissioner, submit to the Commissioner such proposed rules and regulations applicable to insurers, agents and brokers deemed necessary to assure all property owners fair access to basic property insurance through the normal insurance markets, including, but not limited to, rules and regulations concerning—

"(1) the manner and scope of inspections of risks by an inspection bureau;

"(2) the preparation and filing of inspection reports and reports on actions taken in connection with inspected risks, and summaries thereof;

"(3) the operation of an Industry Placement Facility, including but not limited to rules and regulations concerning—

"(A) the basic property insurance coverages of such facility;

"(B) the reasonable effort to obtain insurance in the normal commercial market required by an applicant before recourse to the Facility; and

"(C) the appeals procedure within the Facility for any applicant for insurance regarding any ruling, action, or decision by or on behalf of the Facility.

"(b) The Commissioner may adopt such of the rules submitted pursuant to subsection (a) of this section as he approves. If the Commissioner disapproves any proposed rule submitted he may require the Facility to submit a revision thereof within such time as he may designate, but no less than five days. If the Facility fails to submit a proposed rule, or revision thereof, within the designated time, or if a revised rule is unacceptable to the Commissioner, the Commissioner may adopt such rule covering the proposed general subject matter as he shall deem necessary to carry out the purposes of this Act.

"JOINT UNDERWRITING ASSOCIATION

"SEC. 1106. (a) The Commissioner is authorized to establish by order a joint underwriting association if he finds, after notice and hearing, that such association is necessary to carry out the purposes of this title. Such joint underwriting association shall consist of all insurers licensed to write and engaged in writing in the District of Columbia, on a direct basis, such basic property insurance as may be designated by the Com-

missioner or any component thereof in multiperil policies.

"(b) Every such insurer shall be and remain a member of the association and shall comply with all requirements of membership as a condition of its authority to transact such kinds of insurance in the District of Columbia: *Provided,* That in lieu of revoking or suspending the certificate of authority of any company for any failure to comply with any of the requirements of membership, the Commissioner may subject such company to a penalty of not more than $200 for each such failure to so comply when in his judgment he finds that the public interest would be best served by the continued operation of the company in the District of Columbia.

"(c)(1) Within sixty days following the effective date of the order of the Commissioner under this section the association shall submit to him a proposed plan of operation, consistent with the provisions of this Act, which shall provide for economical, fair, and nondiscriminatory administration of the association and for the prompt and efficient provision of reinsurance for such basic property insurance as may be designated by the Commissioner without regard to environmental hazards, including, but not limited to, provisions concerning—

"(A) preliminary assessment of all members for initial expenses necessary to commence operations;

"(B) establishment of necessary facilities;

"(C) management and operation of the association;

"(D) assessment of members to defray losses and expenses;

"(E) commission arrangements;

"(F) reasonable underwriting standards;

"(G) assumption and cession of reinsurance; and

"(H) such other matters as the Commissioner may designate.

"(2) The plan of operation shall be subject to approval by the Commissioner in whole or in part. If the Commissioner disapproves all or any part of the proposed plan of operation, the association shall within thirty days thereafter submit for his review an appropriately revised plan of operation and if the association fails so to do, or if the revised plan so filed is unacceptable to the Commissioner, the Commissioner shall promulgate a plan of operation.

"(3) The association may, on its own initiative, amend such plan, subject to approval by the Commissioner, and shall amend such plan at the direction of the Commissioner if he finds such action is necessary to carry out the purposes of this title.

"(d) All members of the association shall participate in its writings, expenses, profits, and losses, or in such categories thereof as may be separately established by the association, subject to approval by the Commissioner, in the proportion that the premiums written by each such member (but excluding premiums for insurance on automobiles) during the preceding calendar year bear to the aggregate premiums written in the District of Columbia by all members of the association, or in accordance with such other formula as devised by the association, subject to approval by the Commissioner. Such participation by each insurer in the association shall be determined annually on the basis of such premiums written during the preceding calendar year as disclosed in the annual statements and other reports filed by the insurer with the Commissioner.

"(e) The association shall be governed by a board of eleven directors, elected annually by cumulative voting by the members of the association, whose votes in such election shall be weighted in accordance with the proportionate amount of each member's net direct premiums written in the District of Columbia during the preceding calendar year. The first board shall be elected at a meeting of the members or their authorized representatives, which shall be held within thirty days after the effective date of the order under this section establishing the association, at a time and place designated by the Commission.

"EXAMINATION BY COMMISSIONER

"SEC. 1107. The operation of the inspection bureau, the Industry Placement Facility, and any joint underwriting association shall at all times be subject to the supervision and regulation of the Commissioner. The Commissioner shall have the power of visitation of and examination into such operations and free access to all the books, records, files, papers, and documents that relate to such operations, may summon and qualify witnesses under oath, and many examine directors, officers, agents, or employees or any other person having knowledge of such operations.

"WAIVER OF LIABILITY

"SEC. 1108. There shall be no liability on the part of, and no cause of action of any nature shall arise against insurers, the inspection bureau, the Industry Placement Facility, the joint underwriting association or their agents or employees, or any officer or employee of the District of Columbia, for any statements made in good faith by them concerning the insurability of property in any reports or other communications or at the time of the hearings conducted in connection therewith, or in the findings with respect thereto required by the provisions of this title. The reports and communications of the inspection bureau, the Industry Placement Facility, and joint underwriting association with respect to individual properties shall not be open to inspection by, or otherwise available to, the public.

"ANNUAL REPORTS BY ASSOCIATION

"SEC. 1109. The association shall file with the Commissioner, annually on or before the 1st day of March, a statement which shall contain information with respect to its transactions, condition, operations, and affairs during the preceding year. Such statement shall contain such matters and information as are prescribed by the Commissioner and shall be in such form as is approved by him. The Commissioner may at any time require the association to furnish him with additional information with respect to its transactions, condition or any matter connected therewith which he considers to be material and which will assist him in evaluating the scope, operation, and experience of the association.

"APPEALS

"SEC. 1110. (a) Any applicant for insurance and any affected insurer may appeal to the Commissioner within ninety days after any final ruling, action, or decision by or on behalf of the inspection bureau, Industry Placement Facility, or joint underwriting association, following exhaustion of remedies available within such bureau, facility, or association.

"(b) All final orders or decisions of the Commissioner made pursuant to this Act shall be subject to review by the District of Columbia Court of Appeals pursuant to section 11–742 of the District of Columbia Code.

"REIMBURSEMENT OF NATIONAL INSURANCE DEVELOPMENT CORPORATION

"SEC. 1111. (a) In order to carry out the purposes of this Act and to make available to insurers who participate hereunder, reinsurance against losses resulting from riots or civil disorders afforded under the National Insurance Development Corporation Act of 1968, the Commissioner is authorized to assess each insurance company authorized to do business in the District of Columbia an amount, in the proportion that the premiums earned by each such company, on lines reinsured by the National Insurance Development Corporation, during the preceding calendar year bears to the aggregate premiums earned on those lines in the District of Columbia by all insurance companies, sufficient to provide a fund to reimburse the Corporation in the manner set forth in section 1223(a)(1) of the National Insurance Development Corporation Act of 1968. Such fund may be added to or such a fund may be created by moneys appropriated therefor by the Congress.

"(b) Insurers shall add to the premium rate an amount, to be approved by the Commissioner, sufficient to recover within not more than three years, any amonts assessed pursuant to subsection (a) of this section during the preceding calendar year. Such amount shall be a separate charge to the insured in addition to the premium to be paid and shall be reflected as such in the policy of insurance: *Provided,* That no commission shall be paid thereon to any agent or broker producing or selling the policy of insurance wherein such amount is added.

"DELEGATION

"SEC. 1112. The Commissioner is authorized to delegate any of the functions vested in him by this title.

"JUDICIAL REVIEW

"SEC. 1113. Section 11–742(a) of the District of Columbia Code is amended (a) by striking 'and' immediately following clause (9); (b) by striking the period following clause (10) and inserting in lieu thereof '; and'; and (c) by adding the following:

"'(11) final orders and decisions of the Commissioner under the provisions of the District of Columbia Insurance Placement Act.'

"EFFECTIVE DATE

"SEC. 1114. This title shall be effective upon a determination by the Commissioner that the Congress has enacted legislation providing Federal reinsurance against losses from civil disorders."

And redesignate the succeeding titles and sections of H.R. 17989 accordingly.

Mr. REUSS (during the reading). Mr. Chairman, I ask unanimous consent that the amendment be considered as read.

The CHAIRMAN. Is there objection to the request of the gentleman from Wisconsin?

Mr. BROCK. Mr. Chairman, reserving the right to object, if we consent to the unanimous consent request, would it be possible to make a point of order after the gentleman from New Jersey speaks n his amendment, or would a point of order have to be made now?

The CHAIRMAN. A point of order may be made at any time before the gentleman from New Jersey is recognized to speak on his amendment.

Mr. BROCK. Mr. Chairman, I make a point of order against the amendment, and will reserve the point of order so that the gentleman from New Jersey may proceed to explain his amendment, if he wants to do that.

The CHAIRMAN. The gentleman from Tennessee reserves a point of order against the amendment.

Without objection, the amendment will be considered as read.

There was no objection.

Mr. PATTEN. Mr. Chairman, if you had comments about the last amendment, about not understanding it, it goes double for this amendment.

I warn the Members of the House unless you adopt this amendment, the District and the people in it will have no benefits under this act. There is no authorization for the District of Columbia to implement the benefits of this act.

This amendment is the same bill that the Senate in their Subcommittee on Business and Commerce reported on Monday, July 8, just the other day, headed by Senator TYDINGS; and the full Senate Committee of the District of Columbia over there, according to Senator BIBLE, who is chairman of the full committee and a cosponsor, said that the Senate would positively pass.

But the parliamentary procedure is that the House under our present schedule will never pass it this year. If we do not amend this act to allow the District of Columbia to participate in the benefits of this reinsurance provision, the Congress will be embarrassed and in a position where every State can cooperate but the District of Columbia will get no benefits.

That is my legal opinion, and it is done hastily and it is not fair to the committee since nobody has had a chance to digest it, but I inquired of a member of our Committee on the District of Columbia and he said this bill would be acceptable by our own District of Columbia authorization committee.

Mr. BARRETT. The District Committee should consider the legislation.

The bill covers the States, the District of Columbia, the Commonwealth of Puerto Rico, and so forth. The proposed amendment is within the province of the District Committee.

Mr. PATTEN. I know what you said—your bill makes the District of Columbia eligible, but the District of Columbia is not authorized to take advantage of this act unless they get that authorization. They will not get authorization by the time we adjourn unless we do it by this amendment. I have no personal interest in this.

Mr. BARRETT. The gentleman knows that this is the District of Columbia Committee's business and we cannot interfere with the District Committee.

Mr. PATTEN. You are not interfering, you are helping them out and helping the Congress not to be embarrassed.

Mr. BARRETT. We are helping them out by passing the necessary legislation.

Mr. PATTEN. I know that as a Member of Congress I do not want to walk out of here and read that we took care of every State but it is impossible for the District of Columbia people to participate in the benefits of this act.

Mr. MOORHEAD. Mr. Chairman, will the gentleman yield?

Mr. PATTEN. I yield to the gentleman.

Mr. MOORHEAD. Under this act, the District of Columbia can participate if the insurance companies want to participate in a voluntary FAIR plan. The insurance companies of the District have assured me that they would participate in a FAIR plan. It is true that we cannot guarantee to the citizens of the District of Columbia, without the gentleman's amendment, that they can be forced to live up to their word, but I do want to make it clear that the legislation is drafted in a way so that the insurance companies can and will expect to participate in one of these plans to be enabled to get reinsurance. The only thing that would be lacking is the stick of the District to force any insurance company to participate.

Mr. PATTEN. You said it.

Mr. MOORHEAD. But the companies are so anxious to get going on this program because they want to live up to their duty of insuring homeowners and businessmen and I feel very confident in saying to the gentleman that if the amendment is not put into this bill, this is still a good bill for the District of Columbia—not as good as it would be with the gentleman's amendment—but still a very good bill for the District of Columbia.

Mr. PATTEN. I thank you.

Mr. BROCK. Mr. Chairman, I rise to a point of order.

The CHAIRMAN. Does the gentleman insist on his point of order?

Mr. BROCK. I insist on the point of order.

The CHAIRMAN. The gentleman will state it.

Mr. BROCK. I make a point of order against the amendment on the ground that it is not germane, it would create a special class of beneficiary, and it would invade the jurisdiction of another committee.

The CHAIRMAN. Does the gentleman from New Jersey desire to be heard on the point of order?

Mr. PATTEN. Mr. Chairman, as far as our having a right to amend this bill at this point without referring it to the District of Columbia Committee, I am pretty sure our rules permit such action. But my answer will be based on the broader picture. I tell you that the District of Columbia cannot participate, and if you want to adjourn this Congress without giving the District of Columbia the same benefits that the 50 States would receive, all right. The onus will be yours. I have no personal interest in it.

The CHAIRMAN. The Chair is ready to rule. The Chair has examined title X closely. The name of title X is "Urban Property Protection and Reinsurance." On page 189, under "Definitions," it is stated that—

(11) "State" means the several States, the District of Columbia, the Commonwealth of Puerto Rico, Guam, American Samoa, and the Trust Territory of the Pacific;

The amendment offered by the gentleman from New Jersey deals with a matter of insurance, which the Chair feels is within the scope of the pending bill. The district of Columbia is included in the pending bill. Therefore, the Chair holds that the amendment is germane and overrules the point of order.

Mr. GERALD R. FORD. Mr. Chairman, I move to strike the requisite number of words.

The CHAIRMAN. The gentleman from Michigan is recognized.

Mr. GERALD R. FORD. Mr. Chairman in all sincerity I ask the distinguished chairman of the committee whether he has had an opportunity to analyze in detail the provisions of the amendment offered by the gentleman from New Jersey.

Mr. PATMAN. No, I did not get a copy of it until recently, and I have not had an opportunity to evaluate it.

Mr. GERALD R. FORD. So as far as the details, the powers, and the jurisdiction included in the proposed amendment, the distinguished chairman of the committee knows only what has been said on the floor or has heard in listening or reading the amendment?

Mr. PATMAN. We have present in the Chamber members of the Committee on the District of Columbia. They are charged with the responsibility of District of Columbia affairs. I respect their convictions on the matter. They pass on District of Columbia bills. If none of them wishes to make a point of order on the amendment——

Mr. GERALD R. FORD. A point of order was made and overruled.

Mr. PATMAN. Yes, that is correct. Anyone on the District of Columbia Committee who wants to oppose it has the opportunity to do so. It is not up to me, because we do not have jurisdiction over District of Columbia legislation.

Mr. GERALD R. FORD. The gentleman from Texas, the chairman of this committee, would concede that an amendment of this sort ought to have a little more thorough consideration than what we have given it so far?

Mr. PATMAN. There could be taken into account the consideration that this will be the only amendment before the two Houses, and the conferees will write this bill, the final copy of the bill, and they can either consider it or not consider it. It will not be compulsory. Therefore, we have another chance to consider it.

Mr. GERALD R. FORD. But is it not also true that under the provision on page 189 of the gentleman's bill that came from his committee the District of Columbia is made eligible?

Mr. PATMAN. Mr. Chairman, we did not consider this amendment in committee. It was not considered in the committee to my knowledge. This is the first time I have known anything about it.

Mr. BROCK. Mr. Chairman, if the gentleman will yield, am I correct, I ask the chairman of the Banking and Currency Committee, that the committee in its consideration of this legislation surely intended to offer every protection to the District of Columbia that we were offering to the 50 States?

Mr. PATMAN. That is correct.

Mr. BROCK. There was no intention of excluding the District and there certainly is not now. I think it is a question whether or not this amendment would affect the desire of the author of the amendment, in that it might jeopardize the bill. I think that is within the realm of the Banking and Currency Committee.

Mr. PATMAN. Mr. Chairman, if the gentleman will yield further, this is not the final action, because there is no provision in the Senate bill that is similar. If the Senate bill had a similar provision and if this were passed, it would go into the bill that goes to the White House, but we do not have that situation. We have the situation where this will be in from one side. That will enable the conferees to have the power to pass on it and to determine whether or not it is in the public interest.

Mr. GERALD R. FORD. Mr. Chairman, however, as far as the chairman of the committee is concerned, it was the

belief of the committee that the District of Columbia was fully protected in this area?

Mr. PATMAN. Mr. Chairman, that is correct. Certainly we were anxious to make sure the District of Columbia was not discriminated against.

Mr. GERALD R. FORD. Mr. Chairman, I thank the chairman of the committee.

Mr. MOORHEAD. Mr. Chairman, will the gentleman yield?

Mr. GERALD R. FORD. I yield to the gentleman from Pennsylvania.

Mr. MOORHEAD. Mr. Chairman, this amendment is in the same form as a bill passed in the other body and coming out of that body's District of Columbia Committee. What we are doing here is taking the action which the other States would take, which is enacting enabling legislation which would permit the District of Columbia to participate under this legislation. We could do this next year, but we want to be sure that the District citizens are protected before this Congress is adjourned. Probably this amendment is a good one, and it can be reviewed further in the conference.

Mr. GERALD R. FORD. But the District Committee in the House has not reviewed this amendment?

Mr. MOORHEAD. I am informed that under its schedule it cannot act on this legislation before the anticipated adjournment.

Mr. GROSS. Mr. Chairman, if the gentleman will yield, is it not true that in the last hour and a half two or three amendments which have hit the House floor were drafted downtown today and were never considered previously by the Banking and Currency Committee? Is that not true?

Silence seems to give assent.

Mr. GERALD R. FORD. Mr. Chairman, I would like to ask the chairman of the committee this question. Is it not true that under this legislation any State that does not now qualify under the definition has 18 months to so qualify, and that would include the District of Columbia?

Mr. PATMAN. That is correct.

Mr. MOORHEAD. That is correct.

Mr. HAYS. Mr. Chairman, I move to strike the requisite number of words.

Mr. Chairman, I have heard a great deal of debate here in the last 2 or 3 days on this long, multipage bill. It looks as if the reason it is going to pass with a pretty good majority is that there is something in it for everybody. Everybody is going to get to dip into the Treasury in one way or another on this bill, and everybody is going to be taken care of, from the ghettos to the insurance companies and to—well, you name it.

If that is the case, and I believe it is, I do not see why we should exclude the District of Columbia. I rather favor the gentleman's amendment. If there are so many goodies in it for everybody—and I hold no particular brief for the District of Columbia, but after all the 50 States and everybody are going to get into the act—I do not see why Congress, which is the legislative body for the District, should not provide for the District. And since it has been admitted we will not be able to legislate them into it this year except if we vote for this amendment, I think we probably ought to do it.

As I have listened to the debate, I have gotten the impression that if this bill were translated into Russian and handed to the Supreme Soviet, they would say, "We will not buy it because it is too socialistic for us." But since it contains something for everybody and everybody's district, I am sure it is going to pass, and I just ask that we not exclude the citizens in the District of Columbia.

Mr. GUDE. Mr. Chairman, I rise in support of the amendment offered by the gentleman from New Jersey for the District of Columbia as well as those provisions of the bill which would provide the means by which insurance protection can be obtained at reasonable and proper rates in high risk areas subject to civil disorder. The District of Columbia as well as other unfortunate cities, is passing through a critical period of tension and social distress.

Vigorous business and industrial communities are as desperately needed in these cities as are stable residential communities.

But business and industry cannot flourish in these areas without a guarantee of protection for the future through reasonable and proper insurance. In addition, the owners of business and industry, and the employees of these firms have a firm right to continue in their occupations—this legislation is part of the guarantee that they will not be deprived of that right.

The CHAIRMAN. The question is on the amendment offered by the gentleman from New Jersey [Mr. PATTEN].

The question was taken; and on a division (demanded by Mr. PATTEN) there were—ayes 65, noes 48.

Mr. KYL. Mr. Chairman, I demand tellers.

Tellers were ordered, and the Chairman appointed as tellers Mr. PATTEN and Mr. WIDNALL.

The Committee again divided, and the tellers reported that there were—ayes 87, noes 68.

So the amendment was agreed to.

The CHAIRMAN. If there are no further amendments to title X, the Clerk will read.

The Clerk read as follows:

TITLE XI—NATIONAL FLOOD INSURANCE

SHORT TITLE

SEC. 1101. This title may be cited as the "National Flood Insurance Act of 1968".

FINDINGS AND DECLARATION OF PURPOSE

SEC. 1102. (a) The Congress finds that (1) from time to time flood disasters have created personal hardships and economic distress which have required unforeseen disaster relief measures and have placed an increasing burden on the Nation's resources; (2) despite the installation of preventive and protective works and the adoption of other public programs designed to reduce losses caused by flood damage, these methods have not been sufficient to protect adequately against growing exposure to future flood losses; (3) as a matter of national policy, a reasonable method of sharing the risk of flood losses is through a program of flood insurance which can complement and encourage preventive and protective measures; and (4) if such a program is initiated and carried out gradually, it can be expanded as knowledge is gained and experience is appraised thus eventually making flood insurance coverage available on reasonable terms and conditions to persons who have need for such protection.

(b) The Congress also finds that (1) many factors have made it uneconomic for the private insurance industry alone to make flood insurance available to those in need of such protection on reasonable terms and conditions; but (2) a program of flood insurance with large-scale participation of the Federal Government and carried out to the maximum extent practicable by the private insurance industry is feasible and can be initiated.

(c) The Congress further finds that (1) a program of flood insurance can promote the public interest by providing appropriate protection against the perils of flood losses and encouraging sound land use by minimizing exposure of property to flood losses; and (2) the objectives of a flood insurance program should be integrally related to a unified national program for flood plain management and, to this end, it is the sense of Congress that within two years following the date of the enactment of this Act the President should transmit to the Congress for its consideration any further proposals necessary for such a unified program, including proposals for the allocation of costs among beneficiaries of flood protection.

(d) It is therefore the purpose of this title to (1) authorize a flood insurance program by means of which flood insurance, over a period of time, can be made available on a nationwide basis through the cooperative efforts of the Federal Government and the private insurance industry, and (2) provide flexibility in the program so that such flood insurance may be based on workable methods of pooling risks, minimizing costs, and distributing burdens equitably among those who will be protected by flood insurance and the general public.

(e) It is the further purpose of this title to (1) encourage State and local governments to make appropriate land use adjustments to constrict the development of land which is exposed to flood damage and minimize damage caused by flood losses, (2) guide the development of proposed future construction, where practicable, away from locations which are threatened by flood hazards, (3) encourage lending and credit institutions, as a matter of national policy, to assist in furthering the objectives of the flood insurance program, (4) assure that any Federal assistance provided under the program will be related closely to all flood-related programs and activities of the Federal Government, and (5) authorize continuing studies of flood hazards in order to provide for a constant reappraisal of the flood insurance program and its effect on land use requirements.

AMENDMENTS TO THE FEDERAL FLOOD INSURANCE ACT OF 1956

SEC. 1103. (a) The second sentence of section 15(e) of the Federal Flood Insurance Act of 1956 (79 Stat. 1078) is amended—

(1) by striking out "rate" the second time it appears in such sentence, and inserting in lieu thereof "marked yield", and

(2) by striking out "as of the last day of", and inserting in lieu thereof "during".

(b) Section 15(e) of such Act is further amended by striking out the last sentence thereof.

(c) Section 2 through 14, subsections (a) through (d), and (f) and (g) of section 15, and sections 16 through 23 of such Act are hereby repealed.

CHAPTER I—THE NATIONAL FLOOD INSURANCE PROGRAM

BASIC AUTHORITY

SEC. 1105. (a) To carry out the purposes of this title, the Secretary of Housing and Urban Development is authorized to establish and carry out a national flood insurance program which will enable interested persons

to purchase insurance against loss resulting from physical damage to or loss of real property or personal property related thereto arising from any flood occurring in the United States.

(b) In carrying out the flood insurance program the Secretary shall, to the maximum extent practicable, encourage and arrange for—

(1) appropriate financial participation and risk sharing in the program by insurance companies and other insurers, and

(2) other appropriate participation, on other than a risk-sharing basis, by insurance companies and other insurers, insurance agents and brokers, and insurance adjustment organizations,

in accordance with the provisions of chapter II.

SCOPE OF PROGRAM AND PRIORITIES

SEC. 1106. (a) In carrying out the flood insurance program the Secretary shall afford a priority to making flood insurance available to cover residential properties which are designed for the occupancy of from one to four families and business properties which are owned or leased and operated by small business concerns.

(b) If on the basis of—

(1) studies and investigations undertaken and carried out and information received or exchanged under section 1108, and

(2) such other information as may be necessary, the Secretary determines that it would be feasible to extend the flood insurance program to cover any types or classes of—

(A) other residential properties,

(B) other business properties,

(C) agricultural properties,

(D) properties occupied by private nonprofit organizations, or

(E) properties owned by State and local governments and agencies thereof,

he shall transmit such determination to the Congress together with his recommendations with respect to any such extension of the program.

(c) The Secretary shall make flood insurance available in only those States or areas (or subdivisions thereof) which he has determined have—

(1) evidenced a positive interest in securing flood insurance coverage under the flood insurance program, and

(2) given satisfactory assurance that by June 30, 1970, permanent land use and control measures will have been adopted for the State or area (or subdivision) which are consistent with the comprehensive criteria for land management and use developed under section 1161, and that the application and enforcement of such measures will commence as soon as technical information on floodways and on controlling flood elevations is available.

NATURE AND LIMITATION OF INSURANCE COVERAGE

SEC. 1107. (a) The Secretary shall from time to time, after consultation with the advisory committee authorized under section 1119, appropriate representatives of the pool formed or otherwise created under section 1131, and appropriate representatives of the insurance authorities of the respectice States, provide by regulation for general terms and conditions of insurability which shall be applicable to properties eligible for flood insurance coverage under section 1106, including—

(1) the types, classes, and locations of any such properties which shall be eligible for flood insurance;

(2) the nature and limits of loss or damage in any areas (or subdivisions thereof) which may be covered by such insurance;

(3) the classification, limitation, and rejection of any risks which may be advisable;

(4) appropriate minimum premiums;

(5) appropriate loss-deductibles; and

(6) any other terms and conditions relating to insurance coverage or exclusion which may be necessary to carry out the purposes of this title.

(b) In addition to any other terms and conditions under subsection (a), such regulations shall provide that—

(1) any flood insurance coverage based on chargeable premium rates under section 1109 which are less than the estimated premium rates under section 1108(a)(1) shall not exceed—

(A) in the case of residential properties which are designed for the occupancy of from one to four families—

(i) $17,500 aggregate liability for any dwelling unit, and $30,000 for any single dwelling structure containing more than one dwelling unit, and

(ii) $5,000 aggregate liability per dwelling unit for any contents related to such unit;

(B) in the case of business properties which are owned or leased and operated by small business concerns, an aggregate liability with respect to any single structure, including any contents thereof related to premises of small business occupants (as that term is defined by the Secretary), which shall be equal to (i) $30,000 plus (ii) $5,000 multiplied by the number of such occupants and shall be allocated among such occupants (or among the occupant or occupants and the owner) under regulations prescribed by the Secretary; except that the aggregate liability for the structure itself may in no case exceed $30,000; and

(C) in the case of any other properties which may become eligible for flood insurance coverage under section 1106—

(i) $30,000 aggregate liability for any single structure, and

(ii) $5,000 aggregate liability per dwelling unit for any contents related to such unit in the case of residential properties, or per occupant (as that term is defined by the Secretary) for any contents related to the premises occupied in the case of any other properties; and

(2) any flood insurance coverage which may be made available in excess of any of the limits specified in subparagraph (A), (B), or (C) of paragraph (1) (or allocated to any person under subparagraph (B) of such paragraph) shall be based only on chargeable premium rates under section 1109 which are not less than the estimated premium rates under section 1108(a)(1), and the amount of such excess coverage shall not in any case exceed an amount which is equal to the applicable limit so specified (or allocated).

ESTIMATES OF PREMIUM RATES

SEC. 1108. (a) The Secretary is authorized to undertake and carry out such studies and investigations and receive or exchange such information as may be necessary to estimate, any shall from time to time estimate, on an area, subdivision, or other appropriate basis—

(1) the risk premium rates for flood insurance which—

(A) based on consideration of the risk involved and accepted actuarial principles, and

(B) including—

(i) the applicable operating costs and allowances set forth in the schedules prescribed under section 1112 and reflected in such rates, and

(ii) any adminstrative expenses (or portion of such expenses) of carrying out of the flood insurance program which, in his discretion, should properly be reflected in such rates, would be required in order to make such insurance available on an actuarial basis for any types and classes of properties for which insurance coverage is available under section 1106(a) (or is recommended to the Congress under section 1106(b));

(2) the rates, if less than the rates estimated under paragraph (1), which would be reasonable, would encourage prospective insureds to purchase flood insurance, and would be consistent with the purposes of this title; and

(3) the extent, if any, to which federally assisted or other flood protection measures initiated after the date of the enactment of this title affect such rates.

(b) In carrying out subsection (a), the Secretary shall, to the maximum extent feasible and on a reimbursement basis, utilize the services of the Department of the Army, the Department of the Interior, the Department of Agriculture, the Department of Commerce, and the Tennessee Valley Authority, and, as appropriate, other Federal departments or agencies, and for such purposes may enter into agreements or other appropriate arrangements with any persons.

(c) The Secretary shall give priority to conducting studies and investigations and making estimates under this section in those States or areas (or subdivisions thereof) which he has determined have evidenced a positive interest in securing flood insurance coverage under the flood insurance program.

ESTABLISHMENT OF CHARGEABLE PREMIUM RATES

SEC. 1109. (a) On the basis of estimates made under section 1108 and such other information as may be necessary, the Secretary shall from time to time, after consultation with the advisory committee authorized under section 1119, appropriate representatives of the pool formed or otherwise created under section 1131, and appropriate representatives of the insurance authorities of the respective States, prescribe by regulation—

(1) chargeable premium rates for any types and classes of properties for which insurance coverage shall be available under section 1106 (at less than the estimated risk premium rates under section 1108(a)(1), where necessary), and

(2) the terms and conditions under which, and the areas (including subdivisions thereof) within which, such rates shall apply.

(b) Such rates shall, insofar as practicable, be—

(1) based on a consideration of the respective risks involved, including differences in risks due to land use measures, floodproofing, flood forecasting, and similar measures,

(2) adequate, on the basis of accepted actuarial principles, to provide reserves for anticipated losses, or, if less than such amount, consistent with the objective of making flood insurance available where necessary at reasonable rates so as to encourage prospective insureds to purchase such insurance and with the purposes of this title, and

(3) stated so as to reflect the basis for such rates, including the differences (if any) between the estimated risk premium rates under section 1108(a)(1) and the estimated rates under section 1108(a)(2).

(c) Notwithstanding any other provision of this title, the chargeable rate with respect to any property, the construction or substantial improvement of which the Secretary determines has been started after the identification of the area in which such property is located has been published under paragraph (1) of section 1160, shall not be less than the applicable estimated risk premium rate for such area (or subdivision thereof) under section 1108(a)(1).

(d) In the event any chargeable premium rate prescribed under this section—

(1) is a rate which is not less than the applicable estimated risk premium rate under section 1108(a)(1), and

(2) includes any amount for administrative expenses of carrying out the flood insurance program which have been estimated under clause (ii) of section 1108(a)(1)(B),

a sum equal to such amount shall be paid to the Secretary, and he shall deposit such sum in the National Flood Insurance Fund established under section 1111.

FINANCING

SEC. 1110. (a) All authority which was vested in the Housing and Home Finance Administrator by virtue of section 15(e) of

the Federal Flood Insurance Act of 1956 (70 Stat. 1084) (pertaining to the issue of notes or other obligations to the Secretary of the Treasury), as amended by subsections (a) and (b) of section 1103 of this Act, shall be available to the Secretary for the purpose of carrying out the flood insurance program under this title; except that the total amount of notes and obligations which may be issued by the Secretary pursuant to such authority shall not exceed $150,000,000.

(b) Any funds borrowed by the Secretary under this authority shall, from time to time, be deposited in the National Flood Insurance Fund established under section 1111.

NATIONAL FLOOD INSURANCE FUND

SEC. 1111. (a) To carry out the flood insurance program authorized by this title, the Secretary is authorized to establish in the Treasury of the United States a National Flood Insurance Fund (hereinafter referred to as the "fund") which shall be available, without fiscal year limitation—

(1) for making such payments as may, from time to time, be required under section 1134;

(2) to pay reinsurance claims under the excess loss reinsurance coverage provided under section 1135;

(3) to repay to the Secretary of the Treasury such sums as may be borrowed from him (together with interest) in accordance with the authority provided in section 1110; and

(4) for the purposes specified in subsection (d) under the conditions provided therein.

(b) The fund shall be credited with—

(1) such funds borrowed in accordance with the authority provided in section 1110 as may from time to time be deposited in the fund;

(2) premiums, fees, or other charges which may be paid or collected in connection with the excess loss reinsurance coverage provided under section 1135;

(3) such amounts as may be advanced to the fund from appropriations in order to maintain the fund in an operative condition adequate to meet its liabilities;

(4) interest which may be earned on investments of the fund pursuant to subsection (c);

(5) such sums as are required to be paid to the Secretary under section 1109(d); and

(6) receipts from any other operations under this title (including premiums under the conditions specified in subsection (d), and salvage proceeds, if any, resulting from reinsurance coverage).

(c) If, after—

(1) all outstanding obligations of the fund have been liquidated, and

(2) any outstanding amounts which may have been advanced to the fund from appropriations authorized under section 1176(a)(2)(B) have been credited to the appropriation from which advanced, with interest accrued at the rate prescribed under section 15(e) of the Federal Flood Insurance Act of 1956, as in effect immediately prior to the enactment of this title,

the Secretary determines that the moneys of the fund are in excess of current needs, he may request the investment of such amounts as he deems advisable by the Secretary of the Treasury in obligations issued or guaranteed by the United States.

(d) In the event the Secretary makes a finding in accordance with the provisions of section 1140 that operation of the flood insurance program, in whole or in part, should be carried out through the facilities of the Federal Government, the fund shall be available for all purposes incident thereto, including—

(1) costs incurred in the adjustment and payment of any claims for losses, and

(2) payment of applicable operating costs set forth in the schedules prescribed under section 1112,

for so long as the program is so carried out, and in such event any premiums paid shall be deposited by the Secretary to the credit of the fund.

OPERATING COSTS AND ALLOWANCES

SEC. 1112. (a) The Secretary shall from time to time negotiate with appropriate representatives of the insurance industry for the purpose of establishing—

(1) a current schedule of operating costs applicable both to risk-sharing insurance companies and other insurers and to insurance companies and other insurers, insurance agents and brokers, and insurance adjustment organizations participating on other than a risk-sharing basis, and

(2) a current schedule of operating allowances applicable to risk-sharing insurance companies and other insurers,

which may be payable in accordance with the provisions of chapter II, and such schedules shall from time to time be prescribed in regulations.

(b) For purposes of subsection (a)—

(1) The term "operating costs" shall (without limiting such term) include—

(A) expense reimbursements covering the direct, actual, and necessary expenses incurred in connection with selling and servicing flood insurance coverage;

(B) reasonable compensation payable for selling and servicing flood insurance coverage, or commissions or service fees paid to producers;

(C) loss adjustment expenses; and

(D) other direct, actual, and necessary expenses which the Secretary finds are incurred in connection with selling or servicing flood insurance coverage; and

(2) the term "operating allowances" shall (without limiting such term) include amounts for profit and contingencies which the Secretary finds reasonable and necessary to carry out the purposes of this title.

PAYMENT OF CLAIMS

SEC. 1113. The Secretary is authorized to prescribe regulations establishing the general method or methods by which proved and approved claims for losses may be adjusted and paid for any damage to or loss of property which is covered by flood insurance made available under the provisions of this title.

DISSEMINATION OF FLOOD INSURANCE INFORMATION

SEC. 1114. The Secretary shall from time to time take such action as may be necessary in order to make information and data available to the public, and to any State or local agency or official, with regard to—

(1) the flood insurance program, its coverage and objectives, and

(2) estimated and chargeable flood insurance premium rates, including the basis for and differences between such rates in accordance with the provisions of section 1109.

PROHIBITION AGAINST CERTAIN DUPLICATIONS OF BENEFITS

SEC. 1115. (a) Notwithstanding the provisions of any other law, no Federal disaster assistance shall be made available to any person—

(1) for the physical loss, destruction, or damage of real or personal property, to the extent that such loss, destruction, or damage is covered by a valid claim which may be adjusted and paid under flood insurance made available under the authority of this title, or

(2) except in the situation provided for under subsection (b), for the physical loss, destruction, or damage of real or personal property, to the extent that such loss, destruction, or damage could have been covered by a valid claim under flood insurance which had been made available under the authority of this title, if—

(A) such loss, destruction, or damage occurred subsequent to one year following the date flood insurance was made available in the area (or subdivision thereof) in which such property or the major part thereof was located, and

(B) such property was eligible for flood insurance under this title at that date;

and in such circumstances the extent that such loss, destruction, or damage could have been covered shall be presumed (for purposes of this subsection) to be an amount not less than the maximum limit of insurable loss or damage applicable to such property in such area (or subdivision thereof), pursuant to regulations under section 1107, at the time insurance was made available in such area (or subdivision thereof).

(b) In order to assure that the provisions of subsection (a)(2) will not create undue hardship for low-income persons who might otherwise benefit from the provision of Federal disaster assistance, the Secretary shall provide by regulation for the circumstances in which the provisions of subsection (a)(2) shall not be applicable to any such persons.

(c) For purposes of this section, "Federal disaster assistance" shall include any Federal financial assistance which may be made available to any person as a result of—

(1) a major disaster (within the meaning of that term as determined by the President pursuant to the Act entitled "An Act to authorize Federal assistance to State and local governments in major disasters, and for other purposes", as amended (42 U.S.C. 1855–1855g)),

(2) a natural disaster, as determined by the Secretary of Agriculture pursuant to section 321 of the Consolidated Farmers Home Administration Act of 1961 (7 U.S.C. 1961), or

(3) a disaster with respect to which loans may be made under section 7(b) of the Small Business Act (15 U.S.C. 636(b)).

(d) For purposes of section 10 of the Disaster Relief Act of 1966 (80 Stat. 1320), the term "financial assistance" shall be deemed to include any flood insurance which is made available under this title.

STATE AND LOCAL LAND USE CONTROLS

SEC. 1116. After June 30, 1970, no new flood insurance coverage shall be provided under this title in any area (or subdivision thereof) unless an appropriate public body shall have adopted permanent land use and control measures (with effective enforcement provisions) which the Secretary finds are consistent with the comprehensive criteria for land management and use under section 1161.

PROPERTIES IN VIOLATION OF STATE AND LOCAL LAW

SEC. 1117. No new flood insurance coverage shall be provided under this title for any property which the Secretary finds has been declared by a duly constituted State or local zoning authority, or other authorized public body, to be in violation of State or local laws, regulations, or ordinances which are intended to discourage or otherwise restrict land development or occupancy in flood-prone areas.

COORDINATION WITH OTHER PROGRAMS

SEC. 1118. In carrying out this title, the Secretary shall consult with other departments and agencies of the Federal Government, and with interstate, State, and local agencies having responsibilities for flood control, flood forecasting, or flood damage prevention, in order to assure to the maximum extent practicable that the programs of such agencies and the flood insurance program authorized under this title are mutually consistent.

ADVISORY COMMITTEE

SEC. 1119. (a) The Secretary shall appoint a flood insurance advisory committee, without regard to the provisions of title 5, United States Code, governing appointments in the competitive service, and such committee shall advise the Secretary in the

preparation of any regulations prescribed in accordance with this title and with respect to policy matters arising in the administration of this title, and shall perform such other responsibilities as the Secretary may, from time to time, assign to such committee.

(b) Such committee shall consist of not more than fifteen persons and such persons shall be selected from among representatives of—

(1) the insurance industry,
(2) State and local governments,
(3) lending institutions,
(4) the homebuilding industry, and
(5) the general public.

(c) Members of the committee shall, while attending conferences or meetings thereof, be entitled to receive compensation at a rate fixed by the Secretary but not exceeding $100 per day, including traveltime, and while so serving away from their homes or regular places of business they may be allowed travel expenses, including per diem in lieu of subsistence, as is authorized under section 5703 of title 5, United States Code, for persons in the Government service employed intermittently.

INITIAL PROGRAM LIMITATION

SEC. 1120. The face amount of flood insurance coverage outstanding and in force at any one time under this title shall not exceed the sum of $2,500,000,000.

REPORT TO THE PRESIDENT

SEC. 1121. The Secretary shall include a report of operations under this title in the annual report to the President for submission to the Congress required by section 8 of the Department of Housing and Urban Development Act.

CHAPTER II—ORGANIZATION AND ADMINISTRATION OF THE FLOOD INSURANCE PROGRAM

ORGANIZATION AND ADMINISTRATION

SEC. 1130. Following such consultation with representatives of the insurance industry as may be necessary, the Secretary shall implement the flood insurance program authorized under chapter I in accordance with the provisions of part A of this chapter and, if a determination is made by him under section 1140, under part B of this chapter.

PART A—INDUSTRY PROGRAM WITH FEDERAL FINANCIAL ASSISTANCE

INDUSTRY FLOOD INSURANCE POOL

SEC. 1131. (a) The Secretary is authorized to encourage and otherwise assist any insurance companies and other insurers which meet the requirements prescribed under subsection (b) to form, associate, or otherwise join together in a pool—

(1) in order to provide the flood insurance coverage authorized under chapter I; and

(2) for the purpose of assuming, on such terms and conditions as may be agreed upon, such financial responsibility as will enable such companies and other insurers, with the Federal financial and other assistance available under this title, to assume a reasonable proportion of responsibility for the adjustment and payment of claims for losses under the flood insurance program.

(b) In order to promote the effective administration of the flood insurance program under this part, and to assure that the objectives of this title are furthered, the Secretary is authorized to prescribe appropriate requirements for insurance companies and other insurers participating in such pool including, but not limited to, minimum requirements for capital or surplus or assets.

AGREEMENTS WITH FLOOD INSURANCE POOL

SEC. 1132. (a) The Secretary is authorized to enter into such agreements with the pool formed or otherwise created under this part as he deems necessary to carry out the purposes of this title.

(b) Such agreements shall specify—

(1) the terms and conditions under which risk capital will be available for the adjustment and payment of claims.

(2) the terms and conditions under which the pool (and the companies and other insurers participating therein) shall participate in premiums received and profits or losses realized or sustained,

(3) the maximum amount of profit, established by the Secretary and set forth in the schedules prescribed under section 1112, which may be realized by such pool (and the companies and other insurers participating therein),

(4) the terms and conditions under which operating costs and allowances set forth in the schedules prescribed under section 1112 may be paid, and

(5) the terms and conditions under which premium equalization payments under section 1134 will be made and reinsurance claims under section 1135 will be paid.

(c) In addition, such agreements shall contain such provisions as the Secretary finds necessary to assure that—

(1) no insurance company or other insurer which meets the requirements prescribed under section 1131(b), and which has indicated an intention to participate in the flood insurance program on a risk-sharing basis, will be excluded from participating in the pool,

(2) the insurance companies and other insurers participating in the pool will take whatever action may be necessary to provide continuity of flood insurance coverage by the pool, and

(3) any insurance companies and other insurers, insurance agents and brokers, and insurance adjustment organizations will be permitted to cooperate with the pool as fiscal agents or otherwise, on other than a risk-sharing basis, to the maximum extent practicable.

ADJUSTMENT AND PAYMENT OF CLAIMS AND JUDICIAL REVIEW

SEC. 1133. The insurance companies and other insurers which form, associate, or otherwise join together in the pool under this part may adjust and pay all claims for proved and approved losses covered by flood insurance in accordance with the provisions of this title and, upon the disallowance by any such company or other insurer of any such claim, or upon the refusal of the claimant to accept the amount allowed upon any such claim, the claimant, within one year after the date of mailing of notice of disallowance or partial disallowance of the claim, may institute an action on such claim against such company or other insurer in the United States district court for the district in which the insured property or the major part thereof shall have been situated, and jurisdiction is hereby conferred upon such court to hear and determine such action without regard to the amount in controversy.

PREMIUM EQUALIZATION PAYMENTS

SEC. 1134. (a) The Secretary, on such terms and conditions as he may from time to time prescribe, shall make periodic payments to the pool formed or otherwise created under section 1131, in recognition of such reductions in chargeable premium rates under section 1109 below estimated premium rates under section 1108(a)(1) as are required in order to make flood insurance available on reasonable terms and conditions.

(b) Such payments shall be based only on the aggregate amount of flood insurance retained by the pool after ceding reinsurance in accordance with the provisions of section 1135, and shall not exceed an aggregate amount in any payment period equal to the sum of the following:

(1) an amount for losses which bears the same ratio to the amount of all proved and approved claims for losses under this title during any designated period as the amount equal to the difference between—

(A) the sum of all premium payments for flood insurance coverage in force under this title during such designated period which would have been payable during such period if all such coverage were based on estimated risk premium rates under section 1108(a)(1) (excluding any administrative expenses which may be reflected in such rates, as specified in clause (ii) of section 1108(a)(1)(B)), and

(B) the sum of the premium payments actually paid or payable for such insurance under this title during such period,

bears to the amount specified in clause (A); and

(2) subject to the terms and conditions specified in the agreements entered into with the pool under section 1132, a proportionate amount for appropriate operating costs and allowances (as set forth in the schedules prescribed under section 1112) during any designated period which bears the same ratio to the total amount of such operating costs and allowances during such period as the ratio specified in paragraph (1).

(c) Designated periods under this section and the methods for determining the sum of premiums paid or payable during such periods shall be established by the Secretary.

REINSURANCE COVERAGE

SEC. 1135. (a) The Secretary is authorized to take such action as may be necessary in order to make available, to the pool formed or otherwise created under section 1131, reinsurance for losses (due to claims for proved and approved losses covered by flood insurance) which are in excess of losses assumed by such pool in accordance with the excess loss agreement entered into under subsection (c).

(b) Such reinsurance shall be made available pursuant to contract, agreement, or any other arrangement, in consideration of such payment of a premium, fee, or other charge as the Secretary finds necessary to cover anticipated losses and other costs of providing such reinsurance.

(c) The Secretary is authorized to negotiate an excess loss agreement, from time to time, under which the amount of flood insurance retained by the pool, after ceding reinsurance, shall be adequate to further the purposes of this title, consistent with the objective of maintaining appropriate financial participation and risk sharing to the maximum extent practicable on the part of participating insurance companies and other insurers.

(d) All reinsurance claims for losses in excess of losses assumed by the pool shall be submitted on a portfolio basis by such pool in accordance with terms and conditions established by the Secretary.

PART B—GOVERNMENT PROGRAM WITH INDUSTRY ASSISTANCE

FEDERAL OPERATION OF THE PROGRAM

SEC. 1140. (a) If at any time, after consultation with representatives of the insurance industry, the Secretary determines that operation of the flood insurance program as provided under part A cannot be carried out, or that such operation, in itself, would be assisted materially by the Federal Government's assumption, in whole or in part, of the operational responsibility for flood insurance under this title (on a temporary or other basis), he shall promptly undertake any necessary arrangements to carry out the program of flood insurance authorized under chapter I through the facilities of the Federal Government, utilizing, as may be practicable for purposes of providing flood insurance coverage, insurance companies and other insurers, insurance agents and brokers, and insurance adjustment organizations, as fiscal agents of the United States.

(b) Upon making the determination referred to in subsection (a), and at least thirty days prior to implementing the program of

flood insurance authorized under chapter I through the facilities of the Federal Government, the Secretary shall make a report to the Congress and such report shall—

(1) state the reasons for such determination,

(2) be supported by pertinent findings,

(3) indicate the extent to which it is anticipated that the insurance industry will be utilized in providing flood insurance coverage under the program, and

(4) contain such recommendations as the Secretary deems advisable.

ADJUSTMENT AND PAYMENT OF CLAIMS AND JUDICIAL REVIEW

SEC. 1141. In the event the program is carried out as provided in section 1140, the Secretary shall be authorized to adjust and make payment of any claims for proved and approved losses covered by flood insurance, and upon the disallowance by the Secretary of any such claim, or upon the refusal of the claimant to accept the amount allowed upon any such claim, the claimant, within one year after the date of mailing of notice of disallowance or partial disallowance by the Secretary, may institute an action against the Secretary on such claim in the United States district court for the district in which the insured property or the major part thereof shall have been situated, and jurisdiction is hereby conferred upon such court to hear and determine such action without regard to the amount in controversy.

PART C—PROVISIONS OF GENERAL APPLICABILITY

SERVICES BY INSURANCE INDUSTRY

SEC. 1145. (a) In administering the flood insurance program under this chapter, the Secretary is authorized to enter into any contracts, agreements, or other appropriate arrangements which may, from time to time, be necessary for the purpose of utilizing, on such terms and conditions as may be agreed upon, the facilities and services of any insurance companies or other insurers, insurance agents and brokers, or insurance adjustment organizations; and such contracts, agreements, or arrangements may include provision for payment of applicable operating costs and allowances for such facilities and services as set forth in the schedules prescribed under section 1112.

(b) Any such contracts, agreements, or other arrangements may be entered into without regard to the provisions of section 3709 of the Revised Statutes (41 U.S.C. 5) or any other provision of law requiring competitive bidding.

USE OF INSURANCE POOL, COMPANIES, OR OTHER PRIVATE ORGANIZATIONS FOR CERTAIN PAYMENTS

SEC. 1146. (a) In order to provide for maximum efficiency in the administration of the flood insurance program and in order to facilitate the expeditious payment of any Federal funds under such program, the Secretary may enter into contracts with pool formed or otherwise created under section 1131, or any insurance company or other private oragnization, for the purpose of securing performance by such pool, company, or organization of any or all of the following responsibilities:

(1) estimating and later determining any amounts of payments to be made;

(2) receiving from the Secretary, disbursing, and accounting for funds in making such payments;

(3) miakng such audits of the records of any insurance company or other insurer, insurance agent or broker, or insurance adjustment organization as may be necessary to assure that proper payments are made; and

(4) otherwise assisting in such manner as the contract may provide to further the purposes of this title.

(b) Any contract with the pool or an insurance company or other private organization under this section may contain such terms and conditions as the Secretary finds necessary or appropriate for carrying out responsibilities under subsection (a), and may provide for payment of any costs which the Secretary determines are incidental to carrying out such responsibilities which are covered by the contract.

(c) Any contract entered into under subsection (a) may be entered into without regard to section 3709 of the Revised Statutes (41 U.S.C. 5) or any other provision of law requiring competitive bidding.

(d) No contract may be entered into under this section unless the Secretary finds that the pool, company, or organization will perform its obligations under the contract efficiently and effectively, and will meet such requirements as to financial responsibility, legal authority, and other matters as he finds pertinent.

(e) (1) Any such contract may require the pool, company, or organization or any of its officers or employees certifying payments or disbursing funds pursuant to the contract, or otherwise participating in carrying out the contract, to give surety bond to the United States in such amount as the Secretary may deem appropriate.

(2) No individual designated pursuant to a contract under this section to certify payments shall, in the absence of gross negligence or intent to defraud the United States, be liable with respect to any payment certified by him under this section.

(3) No officer disbursing funds shall, in the absence of gross negligence or intent to defraud the United States, be liable with respect to any payment by him under this section if it was based upon a voucher signed by an individual designated to certify payments as provided in paragraph (2) of this subsection.

(f) Any contract entered into under this section shall be for a term of one year, and may be made automatically renewable from term to term in the absence of notice by either party of an intention to terminate at the end of the current term; except that the Secretary may terminate any such contract at any time (after reasonable notice to the pool, company, or organization involved) if he finds that the pool, company, or organization has failed substantially to carry out the contract, or is carrying out the contract in a manner inconsistent with the efficient and effective administration of the flood insurance program authorized under this title.

SETTLEMENT AND ARBITRATION

SEC. 1147. (a) The Secretary is authorized to make final settlement of any claims or demands which may arise as a result of any financial transactions which he is authorized to carry out under this chapter, and may, to assist him in making any such settlement, refer any disputes relating to such claims or demands to arbitration, with the consent of the parties concerned.

(b) Such arbitration shall be advisory in nature, and any award, decision, or recommendation which may be made shall become final only upon the approval of the Secretary.

RECORDS AND AUDITS

SEC. 1148. (a) The flood insurance pool formed or otherwise created under part A of this chapter, and any insurance company or other private organization executing any contract, agreement, or other appropriate arrangement with the Secretary under part B of this chapter or this part, shall keep such records as the Secretary shall prescribe, including records which fully disclose the total costs of the program undertaken or the services being rendered, and such other records as will facilitate an effective audit.

(b) The Secretary and the Comptroller General of the United States, or any of their duly authorized representatives, shall have access for the purpose of audit and examination to any books, documents, papers, and records of the pool and any such insurance company or other private organization that are pertinent to the costs of the program undertaken or the services being rendered.

CHAPTER III—COORDINATION OF FLOOD INSURANCE WITH LAND-MANAGEMENT PROGRAMS IN FLOOD-PRONE AREAS

IDENTIFICATION OF FLOOD-PRONE AREAS

SEC. 1160. The Secretary is authorized to consult with, receive information from, and enter into any agreements or other arrangements with the Secretaries of the Army, the Interior, Agriculture, and Commerce, the Tennessee Valley Authority, and the heads of other Federal departments or agencies, on a reimbursement basis, or with the head of any State or local agency, in order that he may—

(1) identify and publish information with respect to all flood plain areas, including coastal areas located in the United States, which have special flood hazards, within five years following the date of the enactment of this Act, and

(2) establish flood-risk zones in all such areas, and make estimates with respect to the rates of probable flood-caused loss for the various flood-risk zones for each of these areas, within fifteen years following such date.

CRITERIA FOR LAND MANAGEMENT AND USE

SEC. 1161. (a) The Secretary is authorized to carry out studies and investigations, utilizing to the maximum extent practicable the existing facilities and services of other Federal departments or agencies, and State and local governmental agencies, and any other organizations, with respect to the adequacy of State and local measures in flood-prone areas as to land management and use, flood control, flood zoning, and flood damage prevention, and may enter into any contracts, agreements, or other appropriate arrangements to carry out such authority.

(b) Such studies and investigations shall include, but not be limited to, laws, regulations, or ordinances relating to encroachments and obstructions on stream channels and floodways, the orderly development and use of flood plains of rivers or streams, floodway encroachment lines, and flood plain zoning, building codes, building permits, and subdivision or other building restrictions.

(c) On the basis of such studies and investigations, and such other information as he deems necessary, the Secretary shall from time to time develop comprehensive criteria designed to encourage, where necessary, the adoption of permanent State and local measures which, to the maximum extent feasible, will—

(1) constrict the development of land which is exposed to flood damage where appropriate,

(2) guide the development of proposed construction away from locations which are threatened by flood hazards,

(3) assist in reducing damage caused by floods, and

(4) otherwise improve the long-range land management and use of flood-prone areas,

and he shall work closely with and provide any necessary technical assistance to State, interstate, and local governmental agencies, to encourage the application of such criteria and the adoption and enforcement of such measures.

PURCHASE OF CERTAIN INSURED PROPERTIES

SEC. 1162. The Secretary may, when he determines that the public interest would be served thereby, enter into negotiations with any owner of real property or interest therein which—

(1) was located in any flood-risk area, as determined by the Secretary,

(2) was covered by flood insurance under the flood insurance program authorized under this title, and

(3) was damaged substantially beyond repair by flood while so covered,

and may purchase such property or interests therein, for subsequent transfer, by sale, lease, donation, or otherwise, to any State or local agency which enters into an agreement with the Secretary that such property shall, for a period not less than forty years following transfer, be used for only such purposes as the Secretary may, by regulation, determine to be consistent with sound land management and use in such area.

CHAPTER IV—APPROPRIATIONS AND MISCELLANEOUS PROVISIONS

DEFINITIONS

SEC. 1170. As used in this title—

(1) the term "flood" shall have such meaning as may be prescribed in regulations of the Secretary, and may include inundation from rising waters or from the overflow of streams, rivers, or other bodies of water, or from tidal surges, abnormally high tidal water, tidal waves, tsunamis, hurricanes, or other severe storms of deluge;

(2) the terms "United States" (when used in a geographic sense) and "State" includes the several States, the District of Columbia, the territories and possessions, the Commonwealth of Puerto Rico, and the Trust Territory of the Pacific Islands;

(3) the terms "insurance company", "other insurer", and "insurance agent or broker" include any organizations and persons authorized to engage in the insurance business under the laws of any State;

(4) the term "insurance adjustment organization" includes any organizations and persons engaged in the business of adjusting loss claims arising under insurance policies issued by any insurance company or other insurer;

(5) the term "person" includes any individual or group of individuals, corporation, partnership, association, or any other organized group of persons, including State and local governments and agencies thereof; and

(6) the term "Secretary" means the Secretary of Housing and Urban Development.

STUDIES OF OTHER NATURAL DISASTERS

SEC. 1171. (a) The Secretary is authorized to undertake such studies as may be necessary for the purpose of determining the extent to which insurance protection against earthquakes or any other natural disaster perils, other than flood, is not available from public or private sources, and the feasibility of such insurance protection being made available.

(b) Studies under this section shall be carried out, to the maximum extent practicable, with the cooperation of other Federal departments and agencies and State and local agencies, and the Secretary is authorized to consult with, receive information from, and enter into any necessary agreements or other arrangements with such other Federal departments and agencies (on a reimbursement basis) and such State and local agencies.

PAYMENTS

SEC. 1172. Any payments under this title may be made (after necessary adjustment on account of previously made underpayments or overpayments) in advance or by way of reimbursement, and in such installments and on such conditions as the Secretary may determine.

GOVERNMENT CORPORATION CONTROL ACT

SEC. 1173. The provisions of the Government Corporation Control Act shall apply to the program authorized under this title to the same extent as they apply to wholly owned Government corporations.

FINALITY OF CERTAIN FINANCIAL TRANSACTIONS

SEC. 1174. Notwithstanding the provisions of any other law—

(1) any financial transaction authorized to be carried out under this title, and

(2) any payment authorized to be made or to be received in connection with any such financial transaction,

shall be final and conclusive upon all officers of the Government.

ADMINISTRATIVE EXPENSES

SEC. 1175. Any administrative expenses which may be sustained by the Federal Government in carrying out the flood insurance program authorized under this title may be paid out of appropriated funds.

APPROPRIATIONS

SEC. 1176. (a) There are hereby authorized to be appropriated such sums as may from time to time be necessary to carry out this title, including sums—

(1) to cover administrative expenses authorized under section 1175;

(2) to reimburse the National Flood Insurance Fund established under section 1111 for—

(A) premium equalization payments under section 1134 which have been made from such fund; and

(B) reinsurance claims paid under the excess loss reinsurance coverage provided under section 1135; and

(3) to make such other payments as may be necessary to carry out the purposes of this title.

(b) All such funds shall be available without fiscal year limitation.

Mr. PATMAN (during the reading). Mr. Chairman, I ask unanimous consent that title XI be considered as read, printed in the RECORD, and open to amendment at any point.

The CHAIRMAN. Is there objection to the request of the gentleman from Texas?

There was no objection.

AMENDMENT OFFERED BY MR. JONAS

Mr. JONAS. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. JONAS: On page 224, in line 18, strike the period, insert a comma and the following: "and all authority of the Secretary to issue notes and obligations under said section 15(e) beyond such sum is hereby rescinded."

Mr. JONAS. Mr. Chairman, 2 weeks ago Congress enacted and the President signed into law the Revenue and Expenditure Reduction Act of 1968. One of the provisions in that bill requires that the President next January submit to the Congress $8 billion in rescissions of unspent appropriations previously made. There are more than $200 billion available downtown in previously appropriated money which has not been spent. This amendment I am offering today would not touch unexpended balances of appropriations, but it would move in the same direction that the Congress directed the President to move, and it undertakes to rescind some unused authorizations. No living person to my knowledge knows how many authorizations have been approved but have not been funded. It would run into the billions of dollars.

Mr. PATMAN. Mr. Chairman, will the gentleman yield?

Mr. JONAS. Yes, sir.

Mr. PATMAN. The riot insurance provision which we have already passed contains $150 million as the extent of the Federal Government's liability. This one, if I understand it correctly, will include $150 million liability for the Federal Government.

Mr. JONAS. That is correct.

Mr. PATMAN. In other words, it relieves us of the open end approach?

Mr. JONAS. That is correct.

Mr. PATMAN. And they could extend to only that limit of liability.

Mr. JONAS. That is correct. But my amendment would rescind the unused portion of the $500 million which was authorized way back in 1956 and has not been used.

Mr. BOGGS. Mr. Chairman, will the gentleman yield?

Mr. JONAS. I yield to the gentleman from Louisiana.

(Mr. BOGGS asked and was given permission to revise and extend his remarks.)

Mr. BOGGS. Mr. Chairman, I want to understand the gentleman's amendment a little more thoroughly. What the gentleman's amendment does is put both of these insurance programs under the same financial category, is that correct?

Mr. JONAS. That is correct; $150 million in each.

Mr. BOGGS. If I understand the situation correctly, under the 1956 act there was one-half billion dollars authorized—$500 million?

Mr. JONAS. That is correct.

Mr. BOGGS. From Treasury financing?

Mr. JONAS. For flood insurance, and now we are using $150 million of that in this bill.

Mr. BOGGS. And what the gentleman is saying is that he wants to limit it to $150 million?

Mr. JONAS. That is correct and rescind the other $350 million which has been left untouched for these many years. I think it is good to rescind it since it has been lying there for 12 years.

Mr. BOGGS. Mr. Chairman, if the gentleman will yield further, if the funds were needed in the future, there would not be any question about that?

Mr. JONAS. That is correct. Future authorizations could provide any additional funds that might be required.

Mr. MAHON. Mr. Chairman, will the gentleman yield?

Mr. JONAS. I yield to the gentleman from Texas.

(Mr. MAHON asked and was given permission to revise and extend his remarks.)

Mr. MAHON. Mr. Chairman, I wish to associate myself with the position of the gentleman from North Carolina with respect to this amendment. We complain about the billions of dollars in unobligated balances which have accumulated through the years. We have had a $\frac{1}{2}$ billion unobligated balance for a period of 12 years for flood insurance. It is a bad way to run the country's fiscal operations. The $350 million balance in obligational authority that would remain should be canceled.

Mr. Chairman, I certainly hope the amendment offered by the gentleman from North Carolina will be adopted.

Mr. WIDNALL. Mr. Chairman, will the gentleman yield?

Mr. JONAS. I yield to the gentleman from New Jersey.

(Mr. WIDNALL asked and was given permission to revise and extend his remarks.)

Mr. WIDNALL. Mr. Chairman, I have had a longstanding interest in flood insurance, dating back to January 1956, when I was one of the sponsors of that legislation at that time.

It is my opinion that the amendment which the gentleman from North Carolina has proposed is a wholesome one at this time and, therefore, I urge its adoption.

Mr. PATMAN. Mr. Chairman, we are willing to accept the amendment which has been offered by the gentleman from North Carolina. We have looked it over and considered it and the staff has looked it over and considered it and we are willing to accept it.

Mr. JONAS. I thank the gentleman.

The CHAIRMAN. The question is on the amendment offered by the gentleman from North Carolina [Mr. JONAS].

The amendment was agreed to.

Mr. KEITH. Mr. Chairman, in 1949 the Congress made a national commitment to provide a decent home and a suitable living environment for every American family. The legislation which we are considering today, the Housing and Urban Development Act of 1968, is a giant step forward toward that ultimate goal.

In addition, Mr. Chairman, this omnibus bill attacks a problem which has concerned me for many years—how to provide flood-prone areas with reasonably priced insurance to protect real property owners from financial ruin due to onslaughts of tidal waves. The proposed partnership between the Federal Government and the insurance industry will hopefully and eventually make possible protection to homeowners and small businessmen in high-risk coastal areas.

As the Representative from Massachusetts 12th District, a major part of which is comprised of shoreline, including Cape Cod and the islands of Nantucket and Martha's Vineyard, I have a longstanding interest in the need to protect residents of flood-prone a reas from economic disaster resulting from natural catastrophes. Many of my constituents reside in areas which are constantly exposed to the threat of disasters of monumental proportions.

The bill before us today offers three main advantages to property owners in those flood-prone areas which are qualified for the program. First, property owners would have immediate access to funds with which to rehabilitate or restore their flood-ravaged property, and would not have to rely on Federal disaster relief funds, which are currently practically the sole recourse of financially ruined property owners.

Second, flood insurance would reduce the need for loans and other temporary aids, which impose long-term burdens on the borrowers.

Third, the program offers incentives which will tend to discourage future building and investment in extraordinarily high risk areas. Flood prevention measures are encouraged.

Mr. Chairman, the flood insurance provision included in the Omnibus Housing and Urban Development Act of 1968 before us today will go a long way toward providing protection to property owners in flood-prone areas. One of the towns in my district, Wareham, has already been surveyed by the Corps of Engineers and thus will be among the first communities to be eligible for coverage. It is my hope that the flood insurance program will soon be expanded to many more areas and to include other natural disasters.

The CHAIRMAN. If there are no further amendments to title XI, the Clerk will read.

The Clerk read as follows:

TITLE XII—MORTGAGE INSURANCE FOR NONPROFIT HOSPITALS

AMENDMENT TO NATIONAL HOUSING ACT

SEC. 1201. Title II of the National Housing Act is amended by adding at the end thereof (after the new section added by section 307 of this Act) the following new section:

"MORTGAGE INSURANCE FOR NONPROFIT HOSPITALS

"SEC. 242. (a) The purpose of this section is to assist the provision of urgently needed hospitals for the care and treatment of persons who are acutely ill or who otherwise require medical care and related services of the kind customarily furnished only (or most effectively) by hospitals.

"(b) For the purposes of this section—

"(1) the term 'hospital' means a facility—

"(A) which provides community service for inpatient medical care of the sick or injured (including obstetrical care);

"(B) not more than 50 per centum of the total patient days of which during any year are customarily assignable to the categories of chronic convalescent and rest, drug and alcoholic, epileptic, mentally deficient, mental, nervous and mental, and tuberculosis; and

"(C) which is owned and operated by one or more nonprofit corporations or associations no part of the net earnings of which inures, or may lawfully inure, to the benefit of any private shareholder or individual; and

"(2) the terms 'mortgage' and 'mortgagor' shall have the meanings respectively set forth in section 207(a) of this Act, except that the mortgage, by the same instrument or by a separate instrument, may create a security interest in initial equipment, whether or not attached to the realty.

"(c) The Secretary is authorized to insure any mortgage (including advances on such mortgage during construction) in accordance with the provisions of this section upon such terms and conditions as he may prescribe and to make commitments for insurance of such mortgage prior to the date of its execution or disbursement thereon.

"(d) In order to carry out the purpose of this section, the Secretary is authorized to insure any mortgage which covers a new or rehabilitated hospital, including equipment to be used in its operation, subject to the following conditions:

"(1) The mortgage shall be executed by a mortgagor approved by the Secretary. The Secretary may in his discretion require any such mortgagor to be regulated or restricted as to charges and methods of financing, and, in addition thereto, if the mortgagor is a corporate entity, as to capital structure and rate of return. As an aid to the regulation or restriction of any mortgagor with respect to any of the foregoing matters, the Secretary may make such contracts with and acquire for not to exceed $100 such stock or interest in such mortgagor as he may deem necessary. Any stock or interest so purchased shall be paid for out of the General Insurance Fund, and shall be redeemed by the mortgagor at par upon the termination of all obligations of the Secretary under the insurance.

"(2) The mortgage shall involve a principal obligation in an amount not to exceed $25,000,000, and not to exceed 90 per centum of the estimated replacement cost of the property or project, including equipment to be used in the operation of the hospital, when the proposed improvements are completed and the equipment is installed.

"(3) The mortgage shall—

"(A) provide for complete amortization by periodic payments within such term as the Secretary shall prescribe, and

"(B) bear interest (exclusive of premium charges for insurance and service charges, if any) at not to exceed such per centum per annum (not in excess of 6 per centum), on the amount of the principal obligation outstanding at any time, as the Secretary finds necessary to meet the mortgage market.

"(4) The Secretary shall not insure any mortgage under this section unless he has received, from the State agency designated in accordance with section 604(a)(1) of the Public Health Service Act for the State in which is located the hospital covered by the mortgage, a certification that (1) there is a need for such hospital, and (2) there are in force in such State or the political subdivision of the State in which the proposed hospital would be located reasonable minimum standards of licensure and methods of operation for hospitals. No such mortgage shall be insured under this section unless the Secretary has received such assurance as he may deem satisfactory from the State agency that such standards will be applied and enforced with respect to any hospital located in the State for which mortgage insurance is provided under this section.

"(e) The Secretary may consent to the release of a part or parts of the mortgaged property or project from the lien of any mortgage insured under this section upon such terms and conditions as he may prescribe.

"(f) The activities and functions provided for in this section shall be carried out by the agencies involved so as to encourage programs that undertake responsibility to provide comprehensive health care, including outpatient and preventive care, as well as hospitalization, to a defined population.

"(g) The provisions of subsection (d), (e), (g), (h), (i), (j), (k), (l), and (n) of section 207 shall apply to mortgages insured under this section and all references therein to section 207 shall be deemed to refer to this section."

LABOR STANDARDS

SEC. 1202. Section 212(a) of the National Housing Act is amended by inserting after the fifth sentence the following new sentence: "The provisions of this section shall also apply to the insurance of any mortgage under section 242, except that compliance with such provisions may be waived by the Secretary in cases or classes of cases where laborers or mechanics, not otherwise employed at any time on the project, voluntarily donate their services without compensation for the purpose of lowering the costs of construction and the Secretary determines that any amounts thereby saved are fully credited to the nonprofit corporation or association undertaking the construction; and each laborer or mechanic employed on any facility covered by a mortgage insured under section 242 shall receive compensation at a rate not less than one and one-half times his basic rate of pay for all hours worked in any workweek in excess of eight hours in any workday or forty hours in the workweek, as the case may be."

Mr. PATMAN (during the reading). Mr. Chairman, I ask unanimous consent that title XII of the bill be considered as

read, printed in the RECORD, and open to amendment at any point.

The CHAIRMAN. Is there objection to the request of the gentleman from Texas?

There was no objection.

AMENDMENT OFFERED BY MR. BROCK

Mr. BROCK. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. BROCK: On page 258, line 3, before the comma, insert "(except that in the case of a mortgage which covers equipment the maturity may not exceed the reasonable use expectancy of such equipment)".

Mr. PATMAN. Mr. Chairman, will the gentleman yield?

Mr. BROCK. I yield to the gentleman from Texas.

Mr. PATMAN. The amendment which has been proposed by the gentleman from Tennessee implements in this particular title the same provision that is contained in a preceding title and that we had accepted and one that the Committee of the Whole House on the State of the Union had passed unanimously?

Mr. BROCK. Mr. Chairman, that is correct.

Mr. PATMAN. Mr. Chairman, we are willing to accept the amendment, because we know what it is.

Mr. BROCK. I thank the gentleman.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Tennessee [Mr. BROCK].

The amendment was agreed to.

Mr. WIDNALL. Mr. Chairman, I ask unanimous consent to offer a proposal that I had prepared to offer on page 248 in the previous title of the bill, at line 11, and I therefore ask unanimous consent that we may return to that previous title for the purpose of discussion of this amendment.

The CHAIRMAN. Is there objection to the request of the gentleman from New Jersey?

Mr. PATMAN. Mr. Chairman, reserving the right to object, may I inquire what the amendment is?

Mr. WIDNALL. On page 248, line 11, after "agency," insert the following: "or enter into contracts with any persons or private firms,".

Mr. PATMAN. Mr. Chairman, we will not object to having it considered at this time.

The CHAIRMAN. Is there objection to the request of the gentleman from New Jersey?

There was no objection.

AMENDMENT OFFERED BY MR. WIDNALL

Mr. WIDNALL. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. WIDNALL: On page 248, line 11, after "agency," insert the following: "or enter into contracts with any persons or private firms,".

Mr. WIDNALL. Mr. Chairman, this amendment would enable the Secretary of HUD to enter into contracts with private as well as Government organizations for the purpose of acquiring typographical data and other information necessary for the execution of the flood insurance program.

Mr. PATMAN. Mr. Chairman, will the gentleman yield?

Mr. WIDNALL. I yield to the gentleman from Texas.

Mr. PATMAN. Mr. Chairman, we are acquainted with this amendment, and we have discussed it on our side and we are willing to accept it on our side.

Mr. WIDNALL. I thank the gentleman from Texas.

The CHAIRMAN. The question is on the amendment offered by the gentleman from New Jersey.

The amendment was agreed to.

AMENDMENT OFFERED BY MR. FRELINGHUYSEN

Mr. FRELINGHUYSEN. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. FRELINGHUYSEN: On page 259, after line 9, insert the following new subsection:

"(g) Notwithstanding any of the other provisions of this title, the Secretary may insure under this section a mortgage which provides permanent financing or refinancing of existing mortgage indebtedness in the case of a hospital whose permanent financing is presently lacking, if the construction of such hospital was completed between January 1, 1966, and the date of the enactment of this Act."

On page 259, line 10, strike out "(g)" and insert "(h)".

(Mr. FRELINGHUYSEN asked and was given permission to revise and extend his remarks.)

Mr. PATMAN. Mr. Chairman, will the gentleman yield?

Mr. FRELINGHUYSEN. I will be glad to yield to the gentleman from Texas.

Mr. PATMAN. Mr. Chairman, the gentleman used the word "may" in the amendment, I believe, making it discretionary with the authorities?

Mr. FRELINGHUYSEN. That is right.

Mr. PATMAN. To refinance.

Mr. FRELINGHUYSEN. Mr. Chairman, I would like to say that this amendment is a very minor modification of the proposed new section 242 of the National Housing Act that would allow the Secretary to insure mortgages for the construction of hospital facilities.

My amendment will provide a very limited retroactive feature to allow financing on a permanent basis, or refinancing, for hospital facilities which have been constructed since January 1, 1966, and the date of the enactment of this act.

Mr. ST GERMAIN. Mr. Chairman, will the gentleman yield?

Mr. FRELINGHUYSEN. I yield to the gentleman from Rhode Island.

Mr. ST GERMAIN. Mr. Chairman, I thank the gentleman for yielding.

Does the gentleman know how many hospitals will come under this refinancing on a permanent basis?

Mr. FRELINGHUYSEN. I might say to the gentleman from Rhode Island that there would probably be a very small number which would qualify for this assistance.

It is my feeling that the basic intent of section 242 is a good one, to encourage and facilitate the construction of new, and needed, hospital facilities. This amendment would allow the financing of a newly constructed hospital facility. There is one such facility, to my knowledge, in the State of New Jersey, and it is in my congressional district.

I believe there would be relatively few that would qualify under this retroactive feature.

Mr. ST GERMAIN. If the gentleman will yield further, I would state that I believe this is what was objected to 2 years ago, this type of an amendment directed specifically to one particular hospital.

Mr. FRELINGHUYSEN. I would say to the gentleman that the whole point of the amendment is that it is not so directed.

Mr. ST GERMAIN. It is directed to one date, why is it not 1965 or 1964, the date to which we would make this bill retroactive?

Mr. FRELINGHUYSEN. The date is January 1, 1966.

I might say to the gentleman further that there is no regional flavor to this amendment at all. It would apply to hospital facilities in the State of Rhode Island, or in the State of Massachusetts or in the State of Texas. There is no regional flavor. It is not aimed at an individual facility or any specific facility.

Mr. ST GERMAIN. There is one in the State of New Jersey that would qualify.

Mr. FRELINGHUYSEN. I have just told the gentleman that.

Mr. ST GERMAIN. I thank the gentleman.

Mr. FRELINGHUYSEN. That is one reason I am offering the amendment, because permanent financing has not been arranged for this facility.

Mr. CAHILL. Mr. Chairman, will the gentleman yield?

Mr. FRELINGHUYSEN. I yield to the gentleman.

Mr. CAHILL. I commend the gentleman from New Jersey.

I have read this section and I have read the gentleman's amendment. I think it is a very constructive improvement of this act. We all recognize the great need today for aid to hospitals. If there is any way that we can help any hospital in this country obtain permanent financing, it seems to me this amendment should be supported and I again commend the gentleman for offering his amendment.

Mr. FRELINGHUYSEN. Mr. Chairman, I thank the gentleman.

I might say I commend the committee for having made the suggestion to provide this kind of insurance for mortgages for the construction of hospitals. The need since January 1, 1966, for mortgage assistance has been real, and the difficulties of certain hospitals in acquiring adequate financing have been real.

Mr. WIDNALL. Mr. Chairman, will the gentleman yield?

Mr. FRELINGHUYSEN. I yield to the gentleman.

Mr. WIDNALL. I compliment the gentleman from New Jersey on this amendment. I think this is needed and it can be very, very helpful in some very really trying circumstances right now where several hospitals have not been able to get permanent financing.

Mr. Chairman, I urge the adoption of the amendment.

Mr. FRELINGHUYSEN. I thank the gentleman.

Mr. JOELSON. Mr. Chairman, will the gentleman yield?

Mr. FRELINGHUYSEN. I yield to the gentleman.

Mr. JOELSON. Mr. Chairman, I know that the gentleman from New Jersey [Mr. FRELINGHUYSEN] has in mind a hospital located within his congressional district. However, since many of my constituents utilize that hospital, I think the gentleman has a good amendment and I intend to support it.

Mr. FRELINGHUYSEN. I thank the gentleman.

I am sure that hospitals in other areas may also qualify for this assistance.

Mr. PATMAN. Mr. Chairman, if the gentleman will yield, we are willing to accept the gentleman's amendment on this side.

Mr. FRELINGHUYSEN. I thank the gentleman.

The CHAIRMAN. Without objection, the amendment is agreed to.

Mr. HALL. Mr. Chairman, I object.

The CHAIRMAN. The question is on the amendment offered by the gentleman from New Jersey [Mr. FRELINGHUYSEN].

The amendment was agreed to.

The CHAIRMAN. If there are no further amendments to title XII, the Clerk will read.

The Clerk read as follows:

TITLE XIII—HOUSING GOALS AND ANNUAL HOUSING REPORT

REAFFIRMATION OF GOAL

SEC. 1301. The Congress finds that the supply of the Nation's housing is not increasing rapidly enough to meet the national housing goal, established in the Housing Act of 1949, of the "realization as soon as feasible of the goal of a decent home and a suitable living environment for every American family". The Congress reaffirms this national housing goal and determines that it should be met within the next decade by the construction or rehabilitation of twenty-six million housing units, six million of these for low and moderate income families.

ANNUAL HOUSING REPORT

SEC. 1302. The Secretary of Housing and Urban Development shall annually submit to the President and to the Council of Economic Advisers in time to provide basic material for the Economic Report of the President a report of (1) his estimate of the number of standard housing units produced through new construction and rehabilitation, private and public, in the preceding year, (2) his estimate of the number of such units produced for low and moderate income families, (3) his assessment of whether the ten-year housing goal set forth above is being met, (4) his recommendation of the current annual goal to meet the ten-year goal, and (5) his recommendations of the legislative and administrative actions necessary to achieve the ten-year goal.

Mr. PATMAN (during the reading). Mr. Chairman, I ask unanimous consent that title XIII be considered as read, printed in the RECORD, and open to amendment at any point.

The CHAIRMAN. Is there objection to the request of the gentleman from Texas?

There was no objection.

The CHAIRMAN. Are there any amendments to title XIII? If not, the Clerk will read.

The Clerk read as follows:

TITLE XIV—MISCELLANEOUS

MODEL CITIES

SEC. 1401. (a) Section 111(a) of the Demonstration Cities and Metropolitan Development Act of 1966 is amended—

(1) by striking out "and" the second time it appears; and

(2) by inserting before the period at the end thereof ", and not to exceed $12,000,000 for the fiscal year ending June 30, 1969".

(b) Section 111(b) of such Act is amended—

(1) by striking out "and" the third time it appears; and

(2) by inserting before the period at the end thereof ", and not to exceed $1,000,000,000 for the fiscal year ending June 30, 1970".

(c) Section 111(c) of such Act is amended to read as follows:

"(c) Any amounts appropriated under this section shall remain available until expended, and any amounts authorized for any fiscal year under this section but not appropriated may be appropriated for any succeeding fiscal year commencing prior to July 1, 1970."

URBAN RENEWAL DEMONSTRATION GRANT PROGRAM

SEC. 1402. (a) Section 314(a) of the Housing Act of 1954 is amended—

(1) by striking out in the first sentence "to public bodies, including cities and other political subdivisions," and inserting in lieu thereof "to public bodies (including cities and other political subdivisions) and nonprofit organizations,";

(2) by inserting after the first sentence the following: "In the case of any such grant to a nonprofit organization, the Secretary shall require that the assisted activities and undertakings are not inconsistent with the program of the local public agency."; and

(3) by striking out in the second sentence "No such grant shall exceed two-thirds of the cost, as determined or estimated by said Secretary, of such activities or undertakings," and inserting in lieu thereof the following: "No such grant shall exceed 90 per centum of the cost, as determined or estimated by the Secretary, of the assisted activities or undertakings,".

(b) Section 314(c) of such Act is amended by striking out "$10,000,000" and inserting in lieu thereof "$20,000,000".

AUTHORIZATION FOR URBAN INFORMATION AND TECHNICAL ASSISTANCE SERVICES PROGRAM

SEC. 1403. (a) The first sentence of section 906 of the Demonstration Cities and Metropolitan Develpment Act of 1966 is amended by striking out "and not to exceed $5,000,000 for the fiscal year ending June 30, 1968" and inserting in lieu thereof "not to exceed $5,000,000 for each of the fiscal years 1968 and 1969, and not to exceed $15,000,000 for fiscal year 1970".

(b) The second sentence of section 906 of such Act is amended to read as follows: "Any amounts appropriated under this section shall remain available until expended, and any amounts authorized for any fiscal year under this section but not appropriated may be appropriated for any succeeding fiscal year commencing prior to July 1, 1970."

ADVANCES IN TECHNOLOGY IN HOUSING AND URBAN DEVELOPMENT

SEC. 1404. (a) Section 1010(d) of the Demonstration Cities and Metropolitan Development Act of 1966 is amended by inserting before the period at the end of the first sentence the following: ", which amounts shall be increased in subsequent fiscal years by such sums as may be necessary".

(b) Section 1010(c) of such Act is amended by striking out "two years" in the second sentence and inserting in lieu thereof "three years".

COLLEGE HOUSING

SEC. 1405. (a) The heading of section 401 of the Housing Act of 1950 is amended by striking out "LOANS" and inserting in lieu thereof "ASSISTANCE IN THE FORM OF LOANS OR ANNUAL GRANTS".

(b) Section 401(a) of such Act is amended to read as follows:

"(a) To assist educational institutions in providing housing and other educational facilities for students and faculties, the Secretary may make loans of funds to such institutions for the construction or purchase of such facilities or may, as an alternative to all or part of the loan (in the case of any such institution), make annual grants to the institution to reduce the cost of its borrowing from other sources for such construction or purchase: *Provided*, That no such assistance shall be provided unless (1) the educational institution involved is unable to secure the necessary funds for the construction or purchase from other sources upon terms and conditions equally as favorable as the terms and conditions applicable to loans under this title, and (2) the Secretary finds that any such construction will be undertaken in an economical manner, and that any such facilities are not or will not be of elaborate or extravagant design or materials."

(c) Section 401(c) of such Act is amended—

(1) by inserting "(1)" after "(c)";

(2) by striking out "of (1)" and "or (2)" and inserting in lieu thereof "of (A)" and "or (B)", respectively; and

(3) by adding at the end thereof the following new paragraph:

"(2) Annual grants to an educational institution with respect to any housing or other educational facilities shall be made over a fixed period not exceeding 40 years, and provision for such grants shall be embodied in a contract guaranteeing their payment over such period. Each such grant shall be in an amount equal to the difference between (A) the average annual debt service which would be required to be paid, during the life of the loan, on the amount borrowed from other sources for the construction of such facilities, and (B) the average annual debt service which the institution would have been required to pay, during the life of the loan, with respect to such amounts if the applicable interest rate were the rate specified in paragraph (1): *Provided*, That the amount on which such grant is based shall be approved by the Secretary but in no event shall exceed the total development cost of the facilities."

(d) Section 401(d) of such Act is amended by inserting "(1)" after "(d)", and by adding at the end thereof the following new paragraph:

"(2) There are hereby authorized to be appropriated to the Secretary such sums as may be necessary, together with loan principal and interest payments made by educational institutions assisted with loans made hereunder, for payments on notes or other obligations issued by the Secretary under this section."

(e) Section 401(f) of such Act is amended to read as follows:

"(f)(1) There are hereby authorized to be appropriated to the Secretary such sums as may be necessary for the payment of annual grants to educational institutions in accordance with this section.

"(2) Contracts for annual grants under this section shall not be entered into in an aggregate amount greater than is authorized in appropriation Acts; and in any event the total amount of annual grants which may be paid to educational institutions in any year

pursuant to contracts entered into under this section shall not exceed $10,000,000, which amount shall be increased by $10,000,000 on July 1, 1969."

(f) Section 403 of such Act is amended by striking out "the funds provided for in this title in the form of loans" and inserting in lieu thereof "the amount of the funds provided for in this title in the form of loans, and not more than 12½ per centum of the funds provided for in this title for grants,".

(g)(1) Section 401(g) of such Act is amended to read as follows:

"(g) Except as otherwise proivde in the second paragraph of section 404(b), in the case of any loan which is made under this section to a nonprofit student housing cooperative corporation referred to a clause (5) of section 404(b), or which is obtained from other sources by such a corporation and is the subject of a contract for annual grants entered into under this section, the Secretary shall require that the note securing such loan be cosigned by the educational institution (referred to in clause (1) of such section) at which such corporation is located, and that, in the event of the dissolution of such corporation, title to the housing constructed with such loan will vest in such educational institution."

(2) Clause (3)(B) of section 404(b) of such Act is amended by striking out "of any loan secured under this title" and inserting in lieu thereof the following: "of any loan which is made under section 401, or is the subject of a contract for annual grants entered into under section 401,".

(3) Clause (4) of section 404(b) of such Act is amended by striking out "to obtain loans" and inserting in lieu thereof "to obtain loans or grants".

(4) The second paragraph of section 404 (b) of such Act is amended by inserting after "clause (5) of this subsection," the following: "and in the case of any loan which is obtained from other sources by such a corporation and is the subject of a contract for annual grants entered into under section 401,".

(h) Section 404(c) of such Act is amended by inserting before the period at the end thereof the following: "; except that in the case of the purchase of facilities such term means the cost as approved by the Secretary".

HOUSING FOR THE ELDERLY

SEC. 1406. (a) Section 202 (a) of the Housing Act of 1959 is amended—

(1) by inserting in paragraph (1) after "corporations," the following: "limited profit sponsors,";

(2) by inserting in paragraph (2) after "(as defined in subsection (d)(2))," the following: "to any limited profit sponsor approved by the Secretary,"; and

(3) by inserting in paragraph (3) after "Secretary" the following: ", except that in the case of other than a corporation, consumer cooperative, or public body or agency the amount of the loan shall not exceed 90 per centum of the development cost".

(b) Section 202(c)(3) of such Act is amended by striking out "full".

FEDERAL-STATE TRAINING PROGRAMS

SEC. 1407. (a) Title VIII of the Housing Act of 1964 is amended—

(1) by inserting after "urban centers," in section 801(b) the following: "and with business firms and associations, labor unions, and other interested associations and organizations,";

(2) by striking out "technical and professional people" in sections 801(b)(1) and 802 (a)(1) and inserting in lieu thereof "technical, professional, and other persons with the capacity to master and employ such skills"; and

(3) by inserting after "which has responsibility for community development" in sections 801(b)(1) and 802(a)(1) the following: ", or by a private nonprofit organization which is conducting or has responsibility for housing and community development programs".

(b) Section 805 of such Act is amended by inserting "Guam, American Samoa, the Trust Territory of the Pacific Islands," after "the Commonwealth of Puerto Rico,".

ADDITIONAL ASSISTANT SECRETARY OF HOUSING AND URBAN DEVELOPMENT

SEC. 1408. (a) The first sentence of section 4(a) of the Department of Housing and Urban Development Act is amended by striking out "five" and inserting in lieu thereof "six".

(b) Paragraph (87) of section 5315 of title 5, United States Code, is amended by striking out "(4)" and inserting in lieu thereof "(6)".

INTERNATIONAL HOUSING

SEC. 1409. Section 604 of the Housing Act of 1957 is amended to read as follows:

"SEC. 604. (a) The Secretary of Housing and Urban Development may exchange data relating to housing and urban planning and development with other nations and assemble such data from other nations, through participation in international conferences and other means, where such exchange or assembly is deemed by him to be beneficial in carrying out his responsibilities under the Department of Housing and Urban Development Act or other legislation. In carrying out his responsibilities under this subsection the Secretary may—

"(1) pay the expenses of participation in activities conducted under authority of this section including, but not limited to, the compensation, travel expenses, and per diem in lieu of subsistence of persons serving in an advisory capacity while away from their homes or regular places of business in connection with attendance at international meetings and conferences, or other travel for the purpose of exchange or assembly of data relating to housing and urban planning and development; but such travel expenses shall not exceed those authorized for regular officers and employees traveling in connection with said activities; and

"(2) accept from international organizations, foreign countries, and private nonprofit foundations, funds, services, facilities, materials, and other donations to be utilized jointly in carrying out activities under this section.

"(b) International programs and activities carried out by the Secretary under the authority provided in subsection (a) shall be subject to the approval of the Secretary of State for the purpose of assuring that such authority shall be exercised in a manner consistent with the foreign policy of the United States."

LOW-RENT PUBLIC HOUSING—CORPORATE STATUS

SEC. 1410. (a) The first sentence of section 3 of the United States Housing Act of 1937 is amended by striking out "a body corporate of perpetual duration to be known as".

(b) Section 17 of such Act is repealed. The capital stock referred to in such section shall be retired, and the sum of $1,000,000 represented by such stock shall be returned to the Treasury of the United States.

(c) Such Act is amended by inserting after section 16 a new section 17 as follows:

"SEC. 17. In the performance of, and with respect to, his functions, powers, and duties under this Act, the Secretary shall have (in addition to any authority otherwise vested in him) the functions, powers, and duties set forth in subsections (a), (b), and (e) of section 402 of the Housing Act of 1950."

(d) Section 101 of the Government Corporation Control Act is amended by striking out "United States Housing Authority and including public housing projects financed through appropriated funds and operations thereof;".

ELIGIBILITY FOR RENT SUPPLEMENT PAYMENTS

SEC. 1411. Notwithstanding any other provision of law respecting the date after which a mortgage must have been approved for mortgage insurance under section 221(d)(3) of the National Housing Act, the Secretary of Housing and Urban Development is authorized to make, and contract to make, rent supplement payments under the provisions of section 101 of the Housing and Urban Development Act of 1965 to the owners of the housing projects known as the 114th Street rehabilitation project and the 114th Street rehabilitation project numbered 2, in New York City, New York (project numbers 012–33501 and 012–33512).

CONSOLIDATION OF LOW-RENT PUBLIC HOUSING PROJECTS IN THE DISTRICT OF COLUMBIA

SEC. 1412. All projects now operated and maintained by the National Capital Housing Authority pursuant to title I of the District of Columbia Alley Dwelling Act are deemed to be low-rent housing projects and may be consolidated, pursuant to section 15(6) of the United States Housing Act of 1937, into any contract for annual contributions covering projects maintained and operated pursuant to title II of the District of Columbia Alley Dwelling Act.

URBAN RENEWAL PROJECT IN GARDEN CITY, MICHIGAN

SEC. 1413. Notwithstanding the date of commencement of construction of the Florence Primary School in Garden City, Michigan, local expenditures made in connection with such school shall, to the extent otherwise eligible, be counted as a local grant-in-aid toward the Cherry Hill urban renewal project (Mich. R–46) for purposes of title I of the Housing Act of 1949.

URBAN RENEWAL PROJECT IN SACRAMENTO, CALIFORNIA

SEC. 1414. Notwithstanding the date of commencement of construction of the storm drainage system in the Capitol Mall Riverfront urban renewal project (Calif. R–67) in Sacramento, California, local expenditures made in connection with such storm drainage system located in that project shall, to the extent otherwise eligible, be counted as a local grant-in-aid toward that project for purposes of title I of the Housing Act of 1949.

SELF-HELP STUDIES

SEC. 1415. (a) Section 207 of the Housing Act of 1961 is amended by inserting after the words "improved means" the following: ", including the study of self-help in the construction, rehabilitation, and maintenance of housing for low-income persons and families and the methods of selecting, involving, and directing such persons and families in self-help activities,".

(b) The Secretary of Housing and Urban Development shall make a report to the Congress, within one year after the date of enactment of this Act, setting forth the results of the self-help studies and demonstrations carried out under section 207 of the Housing Act of 1961, together with such recommendations as he deems appropriate.

EARTHQUAKE STUDY

SEC. 1416. Section 5 of the Southeast Hurricane Disaster Relief Act of 1965 is amended by striking out "three years after the appropriation of funds for this study" and inserting in lieu thereof "June 30, 1969".

HOME OWNERS' LOAN ACT OF 1933

SEC. 1417. (a) Section 5(b) of the Home Owners' Loan Act of 1933 is amended to read as follows:

"(b)(1) An association may raise capital in the form of such savings deposits, shares, or other accounts, for fixed, minimum, or indefinite periods of time (all of which are referred to in this section as savings accounts and all of which shall have the same priority upon liquidation) as are authorized

by its charter or by regulations of the Board, and may issue such passbooks, time certificates of deposit, or other evidence of savings accounts as are so authorized. Holders of savings accounts and obligors of an association shall, to such extent as may be provided by its charter or by regulations of the Board, be members of the association, and shall have such voting rights and such other rights as are thereby provided. Except as may be otherwise authorized by the association's charter or regulation of the Board in the case of savings accounts for fixed or minimum terms of not less than thirty days, the payment of any savings account shall be subject to the right of the association to require such advance notice, not less than thirty days, as shall be provided for by the charter of the association or the regulations of the Board. The payment of withdrawals from savings accounts in the event an association does not pay all withdrawals in full (subject to the right of the association to require notice) shall be subject to such rules and procedures as may be prescribed by the association's charter or by regulation of the Board, but any association which, except as authorized in writing by the Board, fails to make full payment of any withdrawal when due shall be deemed to be in an unsafe or unsound condition to transact business within the meaning of subsection (d) of this section. Savings accounts shall not be subject to check or to withdrawal or transfer on negotiable or transferable order or authorization to the association, but the Board may by regulation provide for withdrawal or transfer of savings accounts upon nontransferable order or authorization.

"(2) To such extent as the Board may authorize by regulation or advice in writing, an association may borrow, may give security, and may issue such notes, bonds, debentures, or other obligations, or other securities (except capital stock) as the Board may so authorize."

(b) Section 5(c) of the Home Owners' Loan Act of 1933 is amended—

(1) by striking out "shares" in the first sentence and inserting in lieu thereof "savings accounts or securities"; and

(2) by inserting after the first semicolon in the second proviso the following words: "or in time deposits, certificates, or accounts of any bank the deposits of which are insured by the Federal Deposit Insurance Corporation;".

(c) Section 5(c) of such Act is amended by adding immediately after the second paragraph thereof the following new paragraph:

"Without regard to any other provision of this subsection, any such association may make and invest in any loan not exceeding $5,000—

"(A) for the repair, equipping, alteration, or improvement of any real property, including the construction of new structures related to residential use of the property, or

"(B) for the purpose of mobile home financing, subject to such prohibitions, limitations, and conditions as the Board may by regulation prescribe."

(d) Section 5(c) of such Act is amended by adding at the end thereof a new paragraph as follows:

"Any such association may invest in loans, or interests in loans secured by loans, obligations, or investments in which it has any statutory authority to invest directly."

FEDERAL HOME LOAN BANK ACT

SEC. 1418. Section 12 of the Federal Home Loan Bank Act, as amended (12 U.S.C. 1432), is amended by inserting "(a)" after "SEC. 12.", and by adding at the end thereof a new subsection as follows:

"(b) Subject to such regulations as may be prescribed by the Board, one or more Federal home loans banks may acquire, hold, or dispose of, in whole or in part, or facilitate such acquisition, holding, or disposition by members of any such bank of, housing project loans, or interests therein, having the benefit of any guaranty under section 221 of the Foreign Assistance Act of 1961, as now or hereafter in effect, or loans, or interests therein, having the benefit of any guaranty under section 224 of such Act, or any commitment or agreement with respect to such loans, or interests therein, made pursuant to either of such sections."

TECHNICAL AMENDMENTS

SEC. 1419. (a) Section 110(c) of the Housing Act of 1949 is amended by striking out "paragraphs (7), (8), and (9)" in the second unnumbered paragraph following the numbered paragraphs and inserting in lieu thereof "paragraphs (7), (8), (9), and (10)".

(b) Section 110(d) of the Housing Act of 1949 is amended by striking out "clauses (2), (3)" and inserting in lieu thereof "clauses (2), (3), (7)".

(c) Section 110(e) of the Housing Act of 1949 is amended by striking out "and (9)" in clause (i) and inserting in lieu thereof "(9), and (10)".

(d) Section 1101(c)(3) of the National Housing Act is amended by inserting "from the beginning of amortization of the mortgage" immediately after "twenty-five years".

(e) Section 213(o) of the National Housing Act is amended by adding at the end thereof four new sentences as follows: "Moneys in the Cooperative Management Housing Insurance Fund not needed for current operations of the fund shall be deposited with the Treasurer of the United States to the credit of the Cooperative Management Housing Insurance Fund or invested in bonds or other obligations of, or in bonds or other obligations guaranteed as to principal and interest by, the United States. The Secretary may, with the approval of the Secretary of the Treasury, purchase in the open market debentures which are the obligations of the Cooperative Management Housing Insurance Fund. Such purchases shall be made at a price which will provide an investment yield of not less than the yield obtainable from other investments authorized by this subsection. Debentures so purchased shall be canceled and not reissued."

(f) Section 810(e) of the National Housing Act is amended—

(1) by striking out "private corporation, association, cooperative society, or trust" in the first sentence and inserting in lieu thereof "mortgagor approved by the Secretary", and

(2) by striking out "corporation, association, cooperative society, or trust" in the third and fourth sentences and inserting in lieu thereof "mortgagor".

(g) Section 220(d)(2)(B) of the National Housing Act is amended by striking out "corporations restricted by" and inserting in lieu thereof "corporations or other legal entities restricted by or under".

Mr. PATMAN (during the reading). Mr. Chairman, I ask unanimous consent that title XIV be considered as read, printed in the RECORD, and open to amendment at any point.

The CHAIRMAN. Is there objection to the request of the gentleman from Texas?

There was no objection.

AMENDMENT OFFERED BY MR. ASHLEY

Mr. ASHLEY. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. ASHLEY: On page 275 strike all of lines 9 through 24 and on page 276 strike all of lines 1 through 25 and substitute therefor the following:

"SEC. 1417. (a) Section 5(b) of the Home Owners Loan Act of 1933 (12 U.S.C. 1464 (b)) is amended by adding at the end thereof the following:

" 'However, certificates of account guaranteeing a definite rate of return for fixed periods of time not less than three months may be issued for shares, as prescribed from time to time by the Board by regulation.' "

On page 277 strike lines 3 through 5 and in line 6 strike "(2)".

Mr. ASHLEY. Mr. Chairman, section 1417 of the bill to which my amendment is directed represents a very significant departure from the established relationship that historically has existed between Federal savings and loan associations and their savings account holders.

We all understand that a savings and loan association is a specialized financial institution established to accept savings, to honor requests to withdraw these savings, and to pool funds mainly to make loans secured by mortgages for the construction, repair and purchase of homes. The critical point at issue is that a saver in a savings and loan association is in a very different position legally than a saver or a depositor in a commercial bank.

In a savings and loan association, a share account holder is an equity owner of the institution. He receives "dividends" but he has no advance legal right, as an owner, to a specified rate of dividend any more than any private stockholder in any corporation.

A bank depositor, very much to the contrary, enters into a debtor-creditor relationship. The bank becomes the debtor and the depositor the creditor and under this relationship the bank contracts in advance to pay a specified rate of interest.

Under present law, Federal savings and loan associations are authorized to raise their capital only through the issuance of shares and they are specifically prohibited from accepting deposits which establish the debtor-creditor relationship.

Section 1417 would rewrite the law by allowing mutual associations to raise capital through deposits for either fixed or indefinite periods of time and also to raise capital by selling notes, bonds or debentures.

The language of section 1417 says that a depositor in a savings and loan association is not going to have any greater rights but this patently is a contradiction in legal terms. It is a contradiction because a depositor has a legal right to payment and a share holder has a right only to dividends if they are earned. In short, a depositor is a creditor and creditors always precede equity owners with respect to claims on income and sharing of assets in the case of liquidation.

Questions also arise with respect to giving Federal savings and loan association authority to give security and to issue notes, bonds and debentures. Just what does this provision mean? Can debentures be convertible and, if so, into what—share accounts or the newly designated "deposits"?

Are these debt obligations subject to insurance by the Federal Savings and Loan Insurance Corporation? The committee's report states that they are not but certainly questions can arise since the proposed language in the bill is silent on this matter. And who would have preference in case of liquidation of a savings and loan—the share holder—"depositor" or the holder of debt obligations?

It would be helpful if we could look to the hearings for discussions of these fun-

damental and obviously important questions but the fact of the matter is that there were no hearings and not the first suggestion of testimony on any part of section 1417. The section was adopted in the final hour of the markup stage of the bill in the absence of any prior discussion or consideration.

Mr. Chairman, the desire of the savings and loans to compete better with commercial banks is understandable. Our purpose is not to thwart competition but only to make certain that such competition is healthy and serves the public interest.

Certainly the abrupt shift in the definition of share accounts as depositors and the granting of authority to borrow on notes and debentures need much more study and should be subject to the testimony of the regulatory agencies concerned before being presented to the House of Representatives.

At the same time it is clear that justification exists for additional flexibility for savings and loan's in attracting funds for their important and much needed role in providing housing in the United States. Presently the Home Loan Bank Board authorizes savings and loan's to issue saving certificates no shorter than 6 months in maturity.

To increase the ability of savings and loans to better finance home building the amendment I offer, which strikes the authority to establish deposit accounts and sell debt obligations, would permit the issuance of saving certificates as short as 90 days in maturity and also would permit the guaranteeing of future dividends—which presently is not authorized by statute—provided that sufficient funds are earmarked in advance for this purpose.

Mr. Chairman, I urge adoption of my amendment.

Mr. BROCK. Mr. Chairman, will the gentleman yield?

Mr. ASHLEY. I yield to the gentleman from Tennessee.

Mr. BROCK. Mr. Chairman, if the gentleman has sufficient time to answer a question, I would appreciate it. I would like to get clear in my mind if the amendment of the gentleman would maintain what we were trying to do in the bill, giving CD flexibility to the savings and loan associations so they can raise more money.

Mr. ASHLEY. Precisely it would.

Mr. BROCK. They face a real crisis this month. We intended to alleviate that.

Mr. ASHLEY. Yes, it would do precisely that.

Mr. PATMAN. Mr. Chairman, will the gentleman yield?

Mr. ASHLEY. I yield to the gentleman from Texas.

Mr. PATMAN. Mr. Chairman, the gentleman wants to change the names of the word "deposit" and also the word "interest."

Mr. ASHLEY. Mr. Chairman, the gentleman is mistaken. That is what the bill purports to do. It would allow the savings and loans to use "deposit" instead of "share accounts," and they are totally different.

Mr. PATMAN. The gentleman wants to change it back from the way it is in the bill.

Mr. ASHLEY. I do not want to change it back. I just do not want the change.

Mr. PATMAN. Mr. Chairman, I would ask the gentleman if a large number of States do not permit that, and even the State of the gentleman?

Mr. ASHLEY. I am familiar with the fact that some State-chartered institutions are allowed to use the word "deposit" and the word "interest," but I maintain there is a substantial difference between the word "dividend" and the word "interest" and the words "share account" and "deposit." Interest is a legal claim and a dividend is available only if earned by the association.

Mr. PATMAN. Mr. Chairman, if the gentleman will yield further, would this not add to the confusion, to pass a law to change it in those States that now permit it under State law?

Mr. ASHLEY. Yes; I think there would be very considerable confusion, and that is precisely the reason for my amendment.

Mr. PATMAN. To change it the way the gentleman changes it—in other words, the gentleman's amendment would cause confusion.

Mr. ASHLEY. Mr. Chairman, we are agreed that confusion would result. The sponsor of the amendment is convinced that the proposal in the bill would add to the confusion.

Mr. PATMAN. Mr. Chairman, I am afraid the gentleman inadvertently—certainly not intentionally—left the impression that he is doing this for the savings and loan associations and that they would be happy with this. I would like to ask the gentleman if he knows of a savings and loan association which is for this, or any thrift institution, or the Federal Home Loan Bank Board? I am making the statement that they have communicated with me and said they are opposed to it.

Mr. ASHLEY. Mr. Chairman, let me respond to the gentleman by saying that inasmuch as we did not have hearings, it is impossible to know the sentiments of the savings and loan associations. They were not able to present their testimony before the committee, and it is this I object to. I am pleased the chairman saw fit to establish that point.

Mr. PATMAN. Mr. Chairman, does the gentleman not think the bankers came out pretty well in this bill? At least there was a provision about the savings and loans chartering, and the bankers were certainly adamantly opposed to it, and they made great efforts to oppose it, and they were successful in striking it out. After it was stricken out, by a very close vote, something was added that would help the savings and loan associations to a certain extent. In other words, it gave the savings and loans a small amount of help so that the housing market can be benefited. Now, does the gentleman not think it would be a great disservice to the country and to the savings and loan associations to give them this body blow that the gentleman's amendment would give?

The CHAIRMAN. The time of the gentleman from Ohio has expired.

(Mr. HANNA asked and was given permission to revise and extend his remarks.)

Mr. HANNA. Mr. Chairman, I rise in opposition to the amendment.

Mr. Chairman, I think the House should realize we had plenty of opportunity to discuss this particular principle and the actual contents of the amendments as they now stand. At one time in this bill there was a substantial amendment to provide a great change in the savings and loan institutions by allowing the formation of a new Federal chartered system of savings institutions for housing.

Now, we struck that out of the bill completely. The banks were very much against that provision. What we did was to take out a few of the provisions within that measure and frame them as these amendments because it certainly seemed sensible, if we were going to increase the responsibility for housing and homebuilding in the thrift institutions which are oriented for homebuilding, we ought to help them in getting deposits and other funds so that they would have the resources we are calling upon them to use.

Let me give some interesting figures about the difference between savings and loan institutions and banks. How much assets and deposits do they have, and where they put their money?

In 1967, the commercial banks had $182.6 billion in deposits and $586.6 billion in assets. Out of those assets only 18.9 percent were in mortgages.

The savings and loan institutions at the same time had $124.6 billion in deposits and $306.5 billion in assets, but they had 85.9 percent of their assets in mortgages.

We can tell from those figures who is supporting the home building field. It is not the commercial banks; it is the savings and loan institutions.

If we are going to ask them to support increasing burdens, we have to put them in a position where they will be an active competitor to get the money to utilize; money to do what we ask them to do.

What we have done in these amendments is to liberalize in a modern, up-to-date way both the instruments and the terminology the savings and loan institutions use.

The chairman pointed out, and correctly so, that in Ohio, California, and a number of the modern, up-to-date States the States savings and loan institutions already use the terminology he objects to. Are we to have a dual system, a healthy dual system in which the federals can do what the States can do? Are we going to be one way about it?

All the amendment would do is to put everybody in the same position. We are not changing the legal position of the parties with mutuals or shares. In the terminology used today, they all refer to their dividends as interest, and to the money they have in the bank as their deposits, and it is accepted terminology. We all utilize it. The gentleman sometimes uses that language when he discusses these items in the committee, because it comes so naturally to the lip.

Why should this not be up to date and modern and reflect the terminology being utilized in the market? That is all the amendments would do.

We really ought to give the same kind of multiple money raising powers to the

savings and loan institutions that the banks have had for so many years. They can take their deposits in many forms and multiply available resources through notes and debentures because of this great flexibility we give them through the liberal provisions of the Federal Reserve Board.

It does seem to me that when we move at this time and at this place, to allow that same flexibility in terms of multiplying the available resources for the savings and loans would be appropriate, so that they will be able to do a more dynamic job for America in one of the most demanding segments of our economy, home building. We are moving in exactly the right kind of direction for the time in which we are passing this great new housing bill. We are bringing up to date the approach in the mortgage field that is already reflected in the very dynamic changing money market, which is so essential to the health of all segments of the American economy.

What is wrong with that? It seems to me we are taking the intelligent, required step to put these great institutions in a posture to perform in partnership with the great principles we are trying to follow in this housing bill.

Mr. BROCK. Mr. Chairman, I move to strike the requisite number of words.

Mr. Chairman, I take this time to ask the previous speaker, the gentleman from California [Mr. HANNA] a question. I have frankly had some misgivings about this amendment, but his argument has almost convinced me to support it. It seems to me his very logic that we need to give the savings and loans the ability to expand their currency and utilize the reserves that the commercial banks have would lead me either to oppose the proposal or support equivalent tax treatment for savings and loans. Would the gentleman agree with that premise?

Mr. HANNA. Mr. Chairman, will the gentleman yield?

Mr. BROCK. I am glad to yield to the gentleman.

Mr. HANNA. If you are talking about utilization of their resources to go into the many fields that we have allowed banks to expand in. For instance, no one in Congress moved against bankers because they have become competitors in things like travel agencies, car rental agencies, or in the used car field, because it gives them a broader utilization of their resources. If we are talking about a wide-open competitive position in that regard, there might be some concern about the position that they have taxwise, but we are not talking about that.

Mr. BROCK. You are just talking about giving them an opportunity to multiply their reserves.

Mr. HANNA. No. I am talking about a utilization, first of all, of the terminology of the marketplace and the instruments to attract funds.

Mr. BROCK. Utilizing instruments of the marketplace and utilizing deposit accounts. What is the commensurate responsibility of the savings and loans as between share and deposit accounts?

Mr. HANNA. The legal relationship between the deposit and the share account is made up in the contract that the man makes when he goes in there. But I am telling you today in terminology and in the very thinking of the man involved that there is no difference.

Mr. BROCK. Is it your intention that a deposit account could be utilized as a reserve if we had demand or reserve deposits in the bank against which you could loan 8 or 10 times?

Mr. HANNA. This bill does not change what they can do with a deposit at all. It does what the State of California has already done and what the State of Ohio has already done in terms of State savings and loans. I have not seen any problem arising from that as to what they are going to do with the deposits. They will carry out the contract that he man signed. We are merely talking about the terminology which will be utilized if they can do the job.

Mr. BROCK. Mr. Chairman, I thought I understood what the terminology meant until the gentleman from California began to explain what he thought it meant. I have no concept of where he intends to go with this program.

Mr. HANNA. Just read the bill, and it will tell you.

Mr. BROCK. I have read the bill and I thought it meant something, but the gentleman from California told me something else today.

Mr. GIAIMO. Mr. Chairman, will the gentleman yield.

Mr. BROCK. Yes. I yield to the gentleman.

Mr. GIAIMO. I would like to address my question to the gentleman from California [Mr. HANNA], because when you mention the phrase "multiplier effect" you concern me. Therefore, I feel perhaps this is a good amendment, because if a savings and loan is going to get into the multiplier effect of bank deposits which will create more money, you are doing exactly what the commercial bank does in order to get that multiplier effect factor, which is not what we want savings and loans to do. We want them to stay in the mortgage money field and be giving 85 percent of the moneys for this. I suspect once you get into the multiplier effect it means that they will try to diversify and put money into other kinds of loans. Perhaps this will go into demand deposits and checking accounts, which is the real multiplier effect. This is not what we want to happen, because it will damage and hinder the mortgage market. The gentleman has made a great argument in favor of this amendment.

Mr. BROCK. The gentleman addressed himself to the point that deeply concerns me, because of the colloquy that we have had.

Mr. MOORHEAD. Mr. Chairman, will the gentleman yield?

Mr. BROCK. I am glad to yield to the gentleman.

Mr. MOORHEAD. I, too, would like to ask a question of the gentleman from California.

Mr. HANNA. I have not had a chance to answer the question yet.

Mr. MOORHEAD. I think the gentleman has yielded to me.

I would like, through the gentleman from Tennessee, to pose a question to the gentleman from California. If I understood the argument of the gentleman from California correctly, he feels that there is every need for a version of this in order to have as much money in the savings and loans as it is possible to have to make this money available for mortgages. Is that correct?

Mr. HANNA. That is correct.

Mr. MOORHEAD. I hope the gentleman will remember that answer in about 10 minutes when I offer another amendment.

I thank the gentleman from Tennessee for yielding to me.

Mr. PATMAN. Mr. Chairman, I rise in opposition to the amendment.

Mr. Chairman, I ask unanimous consent to proceed for 5 additional minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from Texas?

Mr. HALL. Mr. Chairman, reserving the right to object, would the gentleman make his request at the end of his first 5 minutes?

Mr. PATMAN. Mr. Chairman, the gentleman from Ohio had 5 additional minutes, and since the sponsor of the amendment and the proponents of the amendment had 10 minutes, I feel that I should have equal time.

Mr. HALL. Mr. Chairman, further reserving the right to object, if the gentleman cares to repeat his request after the first 5 minutes, after we determine whether or not it is worthwhile, we might grant it. But, Mr. Chairman, right now I object.

The CHAIRMAN. Objection is heard.

The gentleman from Texas [Mr. PATMAN] is recognized for 5 minutes.

(Mr. PATMAN asked and was given permission to revise and extend his remarks.)

Mr. PATMAN. Mr. Chairman, each Member of the House received this telegram. I assume that because a large number of them have shown it to me, and especially members of the committee. It says:

> It is my understanding that Representative Ashley will offer an amendment to section 1417 of the housing bill that'll give Federal savings and loan associations expanded flexibility in competition for individual savings and at the same time preserve existing and historical relationship between the Federal savings associations and its customers. I hope you may support the amendment.
>
> AMERICAN BANKERS ASSOCIATION,
> JOHN W. HOLTON, *Washington Office.*

Mr. Chairman, one would think from that, that this is being done at the request of the Federal savings and loan associations, but I want to say to the members of the Committee of the Whole House on the State of the Union that the Federal savings and loan associations are indignant about it. They called me and told me that it was terrible.

Mr. Chairman, the gentleman from Ohio [Mr. ASHLEY] has not been requested to offer that amendment for us, and we do not want that amendment. We were defeated in the committee on the Federal charter bill. There was a tie vote, and then a motion to reconsider the bill lost by one vote.

Mr. Chairman, it occurs to me that the American Bankers Association should be very happy over the achievement in taking out of this bill things to which they were adamantly opposed.

After this was done the gentleman from California [Mr. HANNA] offered an amendment that would give savings and loan institutions certain powers to which no one would object and which were in the interest of the public and an approach which would permit more housing to be constructed in this country.

Mr. Chairman, the savings and loan associations are helping everybody, but now the banks want to strike this amendment out or render savings and loan operations ineffective.

So, Mr. Chairman, this is an issue strictly between the Bankers Association lobby and the savings and loan institutions and all of the thrift institutions. Every thrift institution is against this amendment. I can assure the members of the committee of that. And I can assure you that although the language might imply it is in behalf of the savings and loan institutions, instead it is against the savings and loan institutions. It is not in behalf of the savings and loan institutions. It is in favor of the 105-year-old American Bankers Association lobby—105 years old—an association which has lots of experience and the use of effective gimmicks, and as a result they ought to know a lot of ways, which they have acquired during this 105 years, and certainly they have tried to come in here at the last minute and have tried to deny the savings and loan's minor liberalizing amendments. I say that respectfully, because I have no opposition to bankers as such. We want a good banking system, and I have always supported a good banking system.

The Ashley amendment would be disruptive, would be devastating. Why should we have and now knuckle under to the bankers' lobby right here at the last, when we are getting through with one of the biggest bills that Congress ever passed just because they are unhappy over one or two words? And the words that they are unhappy about are already in the law in States, including the State of Ohio, and others.

The amendment offered by the gentleman from Ohio [Mr. ASHLEY], would add to the confusion, and would be strictly a bankers' lobby amendment, because the bankers' lobby admit that they are putting it out, and they want it adopted.

Mr. Chairman, I hope that the Members of the House will stand by this committee. We tried to be fair with the banks. We tried to be fair with the savings and loan associations. The Federal Home Loan Bank Board is adamantly opposed to this amendment as are many other groups.

Mr. Chairman, I ask the Members vote down this amendment.

The CHAIRMAN. The time of the gentleman from Texas has expired.

Mr. BLACKBURN. Mr. Chairman, I move to strike the requisite number of words.

Mr. Chairman, I will not take the full 5 minutes, but I do want to make the observation that the savings and loan institutions, at least, in my district, have provided a great deal of leadership in the development of my area. They suffered considerably in 1966 when we had a real financial crush. Of course we are facing the same prospects in the near future.

In my discussions with the leaders in the savings and loan institutions in my district, I am advised they desparately need some additional lending authority which the bill as now existing would provide.

It does not put them in direct competition with the banks. To the contrary, it extends to them the authority to finance mobile homes which I believe is a legitimate extension of their authority. It gives them more authority to engage in the financing of home repairs which again I believe is a legitimate extension of their authority.

It allows them——

Mr. ASHLEY. Mr. Chairman, if the gentleman will yield, my amendment does not disturb that authority.

Mr. BLACKBURN. I want to be sure about that, and I am glad the gentleman rose. The amendment offered by the gentleman would not disturb their authority to engage in that type lending?

Mr. ASHLEY. Absolutely not.

Mr. BLACKBURN. The amendment only limits the borrowing authority——

Mr. ASHLEY. To the extent of deposit accounts and the authority to sell debt obligations.

Mr. PATMAN. If the gentleman will yield, I want to say that I do not agree with the conclusions of the gentleman from Ohio. I believe they are incorrect.

Mr. BLACKBURN. Let me direct a question to the gentleman from Ohio [Mr. ASHLEY].

Am I then to understand that under the amendment offered by the gentleman from Ohio, the savings and loan associations could make four $1,000 unsecured loans if they desire, which is in the bill now?

Mr. ASHLEY. My amendment would leave undisturbed——

Mr. BLACKBURN. Their lending authority?

Mr. ASHLEY. The new grants of authority; that is, on mobile homes and on home improvements with respect to equipment. That is absolutely undisturbed. These new grants of authorities I am not quarreling with. My quarrel goes to the deliberate effort to confuse share accounts with deposits.

Mr. BLACKBURN. Let me conclude with this observation: I have discussed this particular provision with leaders in the industry and the chairman of the Home Loan Bank Board, and it is my understanding that he does favor the provision which now exists in the bill; therefore I would oppose the amendment of the gentleman from Ohio.

Mr. OTTINGER. Mr. Chairman, will the gentleman yield?

Mr. BLACKBURN. I will be glad to yield to the gentleman from New York.

Mr. OTTINGER. Mr. Chairman, I thank the gentleman for yielding, and I would like to associate myself with the remarks of the gentleman, and of the gentleman from California [Mr. HANNA].

I would just ask the gentleman is it not true that with the very high interest rates we have been experiencing that the savings and loan associations have had a terrible squeeze in terms of being able to obtain money with which to finance mortgages?

Mr. BLACKBURN. That is very true.

I would like to make this observation to those who fear that the savings and loan associations are going to scatter their resources in unrelated fields, let me say that those fears are not well founded. The savings and loan associations would lose their tax advantage if they should allow their investments to get into too many other fields. I believe they have to maintain an 80-percent home loan mortgage percentage of their total investments in order to get the tax advantage which they now enjoy.

Mr. OTTINGER. They will need this additional flexibility in order to be able adequately to do their job of mortgage financing.

Mr. BLACKBURN. That is my understanding from my discussion with leaders in savings and loan institutions.

Mr. GIAIMO. Mr. Chairman, I move to strike out the last word.

(Mr. GIAIMO asked and was given permission to revise and extend his remarks.)

Mr. GIAIMO. Mr. Chairman, I take this time to get some clarification from the committee.

I have looked into the question of savings and loan institutions vis-a-vis the commercial banks. I know there is tremendous pressure on the savings and loans to retain thrift account money for the mortgage market.

I know they are at a competitive disadvantage because the commercial banks through the use of certificates of deposit and other devices are able to attract a great deal of money which heretofore used to go into the savings accounts.

But I also know that each time, in the history of banking in the United States, that we create a new type of savings or banking institution, each of these institutions constantly tries to broaden its powers and functions so that it can ultimately hope and dream of getting into the field of general banking.

I think it is a mistake to allow this to happen with savings and loans because we will jeopardize the availability of mortgage money even more. This is just what we do not want to do.

I know that there has been suggested legislation for some period of time around the Congress to give greater powers to savings and loan associations, to give depository demand deposits to savings and loans, to give them checking accounts, to give them the power to diversify the kinds of loans they can make, installment loans, commercial and personal loans, and many other types of loans which bring back a greater yield in profits to the lending institution than do the mortgage loans.

Now I would like to ask the members of the committee the following question:

Am I correct in assuming that there is nothing in this bill to give to the savings and loans authority to do this in the present bill?

Mr. REUSS. Mr. Chairman, will the gentleman yield?

Mr. GIAIMO. I yield to the gentleman.

Mr. REUSS. The gentleman is entirely right. It is expressly prohibited that there be any demand deposits or any checking accounts for the savings and loans.

Mr. GIAIMO. What is this flexibility that I hear referred to by some members of the committee, to give flexibility to the savings and loans?

Mr. HANNA. Mr. Chairman, will the gentleman yield?

Mr. GIAIMO. I yield to the gentleman.

Mr. HANNA. That terminology was used in the bankers' telegram and was used by me to indicate the flexibility of instruments available to raise money—which is not the same thing as flexibility to use money once you have it.

When you talk about the multiplicity of instruments, you are not talking about multiplicity in terms of leverage or in terms of the utilization of funds. I thank the gentleman so that I could make that clear.

Mr. GIAIMO. There is one other question that I would like to ask.

Referring to the bill on page 276, line 21, the bill reads as follows:

To such extent as the Board may authorize by regulation or advice in writing, an association may borrow, may give security, and may issue such notes, bonds, debentures, or other obligations, or other securities (except capital stock) as the Board may so authorize.

As I understand it, this will give them greater flexibility in entering into borrowing contracts with the commercial banks or other institutions, if so for what purpose?

Mr. HANNA. This will mean that debentures, which are market instruments utilized by other banking institutions, will be available for the savings and loans so that they will have on hand more money to be able to use it in the mortgage market and reduce these tremendous high rates that we all now see the American people paying for mortgages.

Mr. GIAIMO. Is this a broader authorization to allow them to go into the commercial bank type of loans other than the home financing type of loans and home improvement type of loans and also the mobile home types? Are we authorizing them to get into any other types of investment other than those they have authority for at the present time?

Mr. HANNA. The answer to that is "No."

Mr. GIAIMO. What about these vocation loans? Is that in this bill?

Mr. HANNA. No, it is not. When you say, "vacation loan," do you mean a loan to go on a vacation?

Mr. GIAIMO. I understand there is something on vacations in this bill.

Mr. HANNA. There is a provision for the financing of a second home where a man has a home in town and he wants to build one in the mountains or down on the beach. This is only a continuation of home financing and has nothing to do with financing a vacation. It is the kind of a loan that you can make at a bank.

Mr. GIAIMO. I thank the gentleman.

My own feeling is that we have to do something to relieve the pressures on the savings and loans so that they will remain an available source of thrift money which goes to them and which will then go into the mortgage market. I think we must act to assure that these funds continue to go into the savings and loan associations. We must avoid a repetition of what happened when the commercial banks became active with certificate of deposit and drained so much money from the savings institutions.

I do not think the answer to this problem is broadening the power of the savings and loan so that ultimately they will get more and more of their money out of mortgage investments and begin to invest it into the short-term money market which has a greater yield to them and a greater profit.

Mr. HANNA. I agree with the gentleman and I believe most of the members of the Committee agree with him.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Ohio.

The amendment was rejected.

AMENDMENT OFFERED BY MR. ST GERMAIN

Mr. ST GERMAIN. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. ST GERMAIN: On page 277, strike out lines 17 through 20.

The CHAIRMAN. The gentleman from Rhode Island is recognized.

(Mr. ST GERMAIN asked and was given permission to revise and extend his remarks.)

Mr. ST GERMAIN. Mr. Chairman, I am happy that my particular amendment follows immediately after the amendment offered previously. I agree wholeheartedly with the speakers that every effort should be made to see that savings and loan associations have as much money available as possible for the purpose for which they were created—to promote savings and to grant loans to people to buy homes.

However, just as was pointed out in the debate, especially since 1966 there has been a crisis in the money market, and unless my amendment is adopted, I can picture one of the headlines. It is a good bill. We have worked hard on it. The chairman of the subcommittee has spent many, many months on this bill. The members of the subcommittee have, also.

However, I would hate to have it ruined by a newspaper headline which states, "Congress Authorizes Mortgage Funds for Beach Houses and Vacation Houses."

Certainly these funds should be made available to the people who need them—for the young couple that wants to buy a home in which to raise a family. If John Doe wants a second home, a vacation home in the mountains or at the beach, let John Doe go on the conventional route, but let us keep the savings and loan money for those people who want to buy their first home. If conditions change in future years, perhaps the proposal might be acceptable.

But at this time I do not feel that we in the Congress should authorize savings and loan associations to go into lending money for second homes, vacation homes.

SUBSTITUTE AMENDMENT OFFERED BY MR. HANNA

Mr. HANNA. Mr. Chairman, I offer an amendment to the amendment offered by the gentleman from Rhode Island.

The Clerk read as follows:

Amendment offered by Mr. HANNA to the amendment offered by Mr. ST GERMAIN: On page 277, strike out lines 14 through 23, and insert the following:

"Without regard to any other provision of this subsection, but subject to such prohibitions, limitations, and conditions as the Board may by regulation prescribe, any such association may make and invest in—

"(A) any loan not exceeding $5,000 for the repair, equipping, alteration, or improvement of any real property, or

"(B) any loan for the purpose of mobile home financing."

Mr. HANNA. Mr. Chairman, in taking this opportunity to amend the amendment, I am trying to do a second service, I believe, to the committee. In committee, when we were discussing section A, we spoke of the $5,000 limitation which was suggested by the gentleman from Tennessee [Mr. BROCK]. In offering this amendment to the amendment we have achieved exactly what the gentleman from Rhode Island wants to achieve, and at the same time straightening out the other problem. I hope the gentleman will go along with me on this version.

Mr. ST GERMAIN. If the gentleman will yield, I believe in essence he has struck out the words "including the construction of new structures related to residential use of the property," which would in essence in actuality eliminate second homes?

Mr. HANNA. That is correct.

Mr. ST GERMAIN. But it would retain "for the repair, equipping, alteration, or improvement" of an existing structure?

Mr. HANNA. That is correct.

Mr. ST GERMAIN. Mr. Chairman, I would be happy to accept the gentleman's substitute or amendment of my amendment.

Mr. CAHILL. Mr. Chairman, will the gentleman yield?

Mr. HANNA. Mr. Chairman, I yield to the gentleman from New Jersey.

Mr. CAHILL. Mr. Chairman, what would be the effeot of this amendment on the savings and loan associations that are located in seashore areas and whose principal functions are to provide mortgage loans for people who want to buy seashore homes?

Mr. HANNA. Mr. Chairman, I would suggest to the gentleman this will be a problem for them in terms of getting any new power which they do not now have.

Mr. CAHILL. Mr. Chairman, if the gentleman will yield further, it has been my observation that the commercial banks and sources of conventional loan money are not a bit interested in financing this type home. I say to the gentleman, if we take this power and authority away from the savings and loan associations, who is going to finance construction of homes along the Jersey coast and other recreational areas of this country, where we are seeking to develop homes for people to enjoy their vacation time?

Mr. HANNA. Mr. Chairman, I yield to the gentleman from Rhode Island [Mr. ST GERMAIN], who is the major author of this alteration, which was not my idea to begin with. I want to be sure we straighten out the problems we have on another aspect.

Mr. ST GERMAIN. Mr. Chairman, anything the savings and loan associations can do now, they can continue to do. I wonder what is wrong with the homes if the conventional and FHA people will not approve these homes? That is No. 1.

No. 2, I feel that we want to put this mortgage money into the ghettos where we need the first homes, and let us give people who do not have their first homes the opportunity to have them. Later on, we can go to this change.

Mr. REES. Mr. Chairman, will the gentleman yield?

Mr. HANNA. I yield to the gentleman from California.

Mr. REES. Mr. Chairman, in regard to the question of the gentleman from New Jersey, what this section does is refer to the repairing and equipping alteration or improvement of real property. It does not affect in any way the ability of the savings and loan institutions to loan money to anybody who wishes to purchase a home any place he wants to, whether it is a second home, a third home, a fifth home, or a sixth home. It has only to do with alteration.

Mr. CAHILL. Mr. Chairman, what about alterations on what might admittedly be a second home?

Mr. REES. Mr. Chairman, it just depends on what type second home it is. I have one in Washington, and I have one in my district. I can borrow up to $5,000 to repair that, but for a vacation home I suspect a person would have to go to a bank. For construction, he can go any place he wishes.

Mr. CAHILL. Mr. Chairman, if the gentleman will yield further, it has been this member's observation that the commercial banks today are not interested in lending money on mortgages because they can make more money on other forms of loans. The gentleman from Rhode Island must know we cannot get conventional mortgages these days from a banking institution, and if we cannot get it from a savings and loan association, from where can we get it?

Mr. HANNA. Mr. Chairman, the banks have only 18.9 percent of their capitalization in mortgages and the savings and loan institutions have much more of their capitalization in mortgages, so it is clear where the mortgages have to come from. So I would provide as broad an area of amending as we could.

Mr. CAHILL. Mr. Chairman, I hope the amendment will be defeated.

The CHAIRMAN. The Chair would like to inquire of the gentleman from California [Mr. HANNA] whether he wishes to offer this amendment as a substitute for the amendment offered by the gentleman from Rhode Island [Mr. ST GERMAIN], or as an amendment to the amendment?

Mr. HANNA. Mr. Chairman, I originally offered it as an amendment to the pending amendment.

The CHAIRMAN. It does not seem to be an amendment to the amendment. Does the gentleman offer it as a substitute?

Mr. HANNA. Mr. Chairman, I will offer it as a substitute amendment for the amendment offered by the gentleman from Rhode Island.

The CHAIRMAN. Without objection, the amendment offered by the gentleman from California [Mr. HANNA], will be considered as a substitute for the amendment offered by the gentleman from Rhode Island.

There was no objection.

Mr. PEPPER. Mr. Chairman, I move to strike the requisite number of words.

Mr. Chairman, I will draw the attention of the able gentleman from California to the words "mobile homes" in his substitute and in the bill and I think quite properly. Is there any reason why those words might not apply to mobile homes such as houseboats which move on the water and are a place of residence, as well as to land trailers if the Home Loan Bank Board sees fit to allow it?

Mr. HANNA. Mr. Chairman, I think coming from the waterways of Florida, the gentleman, I am sure, has a great interest in this.

It would be my judgment, if the Home Loan Bank Board approves such water mobile homes, they would be covered.

Mr. HOLIFIELD. Mr. Chairman, will the gentleman yield?

Mr. PEPPER. I yield to the gentleman from California.

Mr. HOLIFIELD. I want to endorse what the gentleman in the well said, and I rise in support of his amendment.

Mr. FASCELL. Mr. Chairman, will the gentleman yield?

Mr. PEPPER. I yield to the gentleman from Florida.

Mr. FASCELL. I thought I understood the gentleman's substitute amendment, but after the colloquy I was not so sure. Would the gentleman strike out the language "improvement of."

Mr. HANNA. No, I would not. I would strike out the language "including the construction of new structures related to residential use of the property."

Mr. FASCELL. But that would leave in the "repair, equipping, alteration, or improvement of any real property"?

Mr. HANNA. That is correct.

Mr. FASCELL. It does not seem to me like it changes anything, which is all right with me.

The CHAIRMAN. The question is on the substitute amendment offered by the gentleman from California [Mr. HANNA] for the amendment offered by the gentleman from Rhode Island [Mr. ST GERMAIN].

The substitute amendment was agreed to.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Rhode Island, as amended.

The question was taken; and on a division (demanded by Mr. ST GERMAIN) there were—ayes 79, noes 28.

So the amendment, as amended, was agreed to.

AMENDMENT OFFERED BY MR. WIDNALL

Mr. WIDNALL. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. WIDNALL: On page 268, after line 20, insert the following new subsection:

"(1) The last sentence of paragraph 'Seventh' of section 5136 of the Revised Statutes (12 U.S.C. 24) (appearing immediately before the sentence added by section 811 of this Act) is amended by inserting after 'the Asian Development Bank' the following: ', or obligations issued by any State or political subdivision or any agency of a State or political subdivision for housing, university, or dormitory purposes,'."

Mr. WIDNALL. Mr. Chairman, one of the most acute problems in our period of postwar growth in the United States, has been the tremendous pressures on college and university enrollment. We have seen enrollment increase from 2 million in 1946 to 6½ million this year. It is projected to go to 9,400,000 by 1976.

One phase of the problem that has been of particular concern to me has been dormitory housing for these students. In 1965 I sponsored an amendment, which Congress enacted, to provide a direct 3-percent loan program for college housing. Under this program 480 projects have been built at a total cost of $643 million. The facilities built will house over 250,000 students. I am pleased with the success of this program and the contribution it has made to the college housing problem. The total Federal college housing program has now reached a total of $3,346,000,000. While this program is of tremendous importance, an equally important program is the one the States are carrying on themselves with State college housing facilities. The total volume of this housing is $3,148,845,000, almost equal to the total Federal program.

In order to further assist the States in providing housing at the lowest possible cost, I am proposing an amendment that will complement the Housing Urban Development Act of 1968. Since there are such tremendous capital demands by our universities, subchapter IX of the National Housing Act, entitled "Housing for Educational Institutions," has been amended by section 1405 of the bill to permit assistance for educational institutions in the form of annual grants as well as by loans. Section 1405 of the bill, as approved by the Banking and Currency Committee, authorizes the Secretary to, and I quote, "make annual grants to the institution to reduce the cost of its borrowing from other sources for such construction or purchase." The annual grants under this provision may be made over a fixed period not exceeding 40 years, and each such grant shall be in an amount equal to the difference between the annual debt service on private borrowing and the interest rate which would be payable under the loan provisions of subchapter IX.

The amendment I offer today would permit the same financial institutions that compete for issues such as those of the Inter-American Development Bank and the Asian Development Bank to compete for bond issues for housing, university, or dormitory purposes. A competitive capital market for these bond issues will undoubtedly lower the borrowing costs, and in the case of dormitory and university bond issues, will make

the annual grants provided for in section 1405 go that much further.

I submit the following tabulation for the information of the Members:

Dormitory and housing revenue bonds outstanding as of Jan. 1, 1968

ALABAMA	
Alabama Agricultural & Mechanical College	$2,097,000
Alabama College	540,000
Auburn University	4,287,000
University of Alabama	2,241,000
ALASKA	
University of Alaska	8,183,000
Alaska State Housing Authority	13,689,000
ARIZONA	
Arizona State University	24,066,000
Northern Arizona University	6,665,000
University of Arizona	12,029,000
ARKANSAS	
Arkansas Agricultural & Mechanical College	2,305,000
Southern State College	5,326,000
University of Arkansas	18,339,000
Medical Center	2,005,000
Arkansas State Teachers College	7,419,000
Henderson State Teachers College	4,117,000
Arkansas State College	8,644,000
Arkansas Polytechnic College	5,640,000
Agricultural, Mechanical and Normal College	3,018,000
CALIFORNIA	
All State educational institutions (housing, student revenue, etc.)	127,280,000
COLORADO	
University of Colorado	34,388,000
Colorado State University	18,799,000
Adams State College	9,070,000
Colorado School of Mines	445,000
Fort Lewis College	5,471,000
CONNECTICUT	
University of Hartford	4,100,000
DELAWARE	
University of Delaware	12,503,000
FLORIDA	
University of Florida	18,249,000
Florida State University	13,648,000
Florida Agricultural & Mechanical College	1,561,000
University of Southern Florida	9,449,000
Florida Atlantic University	2,107,000
IDAHO	
University of Idaho	9,978,000
Idaho State University	5,338,000
ILLINOIS	
University of Illinois	91,020,000
Illinois State University	41,835,000
Eastern Illinois University	20,036,000
Northern Illinois University	52,140,000
Southern Illinois University	33,550,000
Western Illinois University	37,951,000
INDIANA	
Indiana University	65,630,000
Purdue University	53,989,000
Ball State University	36,298,000
Indiana State University	16,157,000
Vincennes University	1,650,000
IOWA	
State University of Iowa	29,905,000
Iowa State University of Science	26,720,000
University of Northern Iowa	16,835,000
KANSAS	
Kansas State University	15,989,000
Kansas State Teachers College	2,069,000
Kansas State College	3,491,000
University of Kansas	$13,686,000
Wichita State University	6,527,000
Fort Hays Kansas State College	2,595,000
KENTUCKY	
Eastern Kentucky University	21,678,000
Morehead State University	9,240,000
Murray State University	13,019,000
University of Kentucky	39,761,000
Kentucky State College	3,338,000
Western Kentucky University	21,359,000
LOUISIANA	
Louisiana State University	36,065,000
Louisiana State Board of Education	47,535,000
MARYLAND	
University of Maryland	2,373,000
MASSACHUSETTS	
University of Massachusetts Building Authority	32,325,000
MICHIGAN	
Central Michigan University	12,835,000
Northern Michigan University	2,670,000
Ferris State College	1,450,000
Michigan State University	13,875,000
University of Michigan	44,587,000
Western Michigan University	18,781,000
Michigan Technological University	6,820,000
Wayne State University	7,130,000
Eastern Michigan University	15,540,000
MINNESOTA	
University of Minnesota (all systems and branches)	48,197,000
MISSOURI	
Missiouri State education institutions	80,835,000
MONTANA	
All State institutions	26,131,000
NEBRASKA	
University of Nebraska	28,735,000
All State colleges	28,065,000
NEVADA	
University of Nevada	7,097,000
NEW HAMPSHIRE	
All university bonds are general obligations.	
NEW JERSEY	
Rutgers University	10,910,000
NEW MEXICO	
University of New Mexico	5,438,000
Other educational institutions	56,945,000
NEW YORK	
New York State Housing Finance Agency (includes low-cost housing)	1,129,104,000
New York State Dormitory Authority	703,406,000
NORTH CAROLINA	
State educational institutions	15,659,000
NORTH DAKOTA	
All State educational institutions	22,396,000
OHIO	
State educational institutions:	
Bowling Green	29,925,000
Ohio University	17,264,000
Miami University	29,639,000
Kent State	23,684,000
Ohio State University	53,110,000
OKLAHOMA	
All educational institutions	100,491,000
RHODE ISLAND	
University of Rhode Island	14,665,000
SOUTH CAROLINA	
All educational institutions	4,527,000
TENNESSEE	
State educational institutions:	
University of Tennessee	$6,063,000
Tennessee Technical University	4,589,000
All other	13,746,000
TEXAS	
Total Texas college bond issues	293,841,000
University of Texas:	
At Austin	60,135,000
At El Paso	4,405,000
At Galveston	2,100,000
At Arlington	6,140,000
Total	72,780,000
Texas A. & M.:	
College Station	33,890,000
Tarleton	1,927,000
Prairie View	4,193,000
Total	40,010,000
State senior colleges:	
East Texas State	$11,669,000
Sam Houston State	11,199,000
Steven F. Austin	17,802,000
Sul Ross State College	2,203,000
West Texas State University	5,924,000
Total	48,797,000
Other State colleges:	
Texas Technological College	$40,527,000
North Texas State University	25,959,000
Lamar State College	14,381,000
Texas A. & I. University	8,383,000
Texas Womens University	9,909,000
Texas Southern University	5,490,000
University of Houston	24,520,000
Pan American College	1,500,000
Midwestern University	1,585,000
Total	132,254,000
VERMONT	
All educational institutions	12,495,000
VIRGINIA	
All educational institutions	48,586,000
WASHINGTON	
All State institutions	111,709,000
WYOMING	
All educational institutions	10,555,000
Grand total	4,291,638,000

Mr. REUSS. Mr. Chairman, will the gentleman yield?

Mr. WIDNALL. I yield to the gentleman from Wisconsin.

Mr. REUSS. We on this side have had an opportunity to examine the gentleman's amendment and believe it is a constructive one and will fully support it.

(Mr. WIDNALL asked and was given permission to revise and extend his remarks.)

The CHAIRMAN. The question is on the amendment offered by the gentleman from New Jersey [Mr. WIDNALL].

The amendment was agreed to.

AMENDMENT OFFERED BY MR. ROGERS OF COLORADO

Mr. ROGERS of Colorado. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. ROGERS of Colorado: On page 269, after line 10, insert the following new subsection:

"(c) Section 202(e) of such Act is amended—

"(1) by striking out 'prior to the date of enactment of the Housing Act of 1961' and inserting in lieu thereof 'prior to July 1, 1967 (whether or not the insurance has actually been granted)';

"(2) by inserting 'or refinancing' after 'financing';

"(3) by inserting 'foreclosure or' after 'avoid'; and

"(4) by inserting 'tenants or' before 'prospective tenants'."

Mr. BARRETT. Mr. Chairman, will the gentleman yield?

Mr. ROGERS of Colorado. Yes. I yield to the gentleman.

Mr. BARRETT. Mr. Chairman, we have gone over this amendment. We have no objection to it. I think the gentleman from New Jersey also has had a chance to examine it.

Mr. WIDNALL. If the gentleman will yield, I have no objection to it.

Mr. BROCK. Mr. Chairman, will the gentleman yield?

Mr. ROGERS of Colorado. Yes. I yield to the gentleman.

Mr. BROCK. I do not know whether I have any objection to it or not. Will the gentleman please explain what he is trying to do?

Mr. ROGERS of Colorado. The explanation is, if you will turn to page 268, you start out on housing for the elderly. My amendment then starts after line 10, page 269, which is a new section; this would change section 202 of the Housing and Urban Development Act of 1959, as amended, which provides housing for the elderly. This would procure refinance under this section.

Mr. BARRETT. Mr. Chairman, will the gentleman yield to me?

Mr. ROGERS of Colorado. Yes. I yield to the gentleman.

Mr. BARRETT. This is a hardship amendment, is it not?

Mr. ROGERS of Colorado. That is right. And it deals with a situation in my State where loans have heretofore been made to the elderly for elderly housing and others in a similar financial condition as a result of certain problems which have arisen which were not anticipated at that time.

What it does is to permit them to be refinanced as is permitted for housing for the elderly and as provided by Public Law 87–70.

Mr. BROCK. Mr. Chairman, will the gentleman yield further?

These programs are supposed to be actuarially sound. However, if they have to be refinanced, does the gentleman have any estimate as to the cost of this item?

Mr. ROGERS of Colorado. The anticipated cost as to each particular one, I cannot give it to the gentleman. In my particular State, the State of Colorado, there happens to be about 30 of these institutions which have heretofore been sponsored for the elderly by fraternal orders and others. In other words, due to a situation which developed where our own State legislature saw fit to tax them, this represents an attempt to help them.

Mr. BROCK. But, Mr. Chairman, if the gentleman will yield further, is it for the Government to come to the situation where the State of Colorado places a tax on a municipally operated program and support it?

Mr. ROGERS of Colorado. May I point out to the gentleman from Tennessee that if this amendment is not adopted, the Federal Government will be compelled to foreclose in order to protect the guaranteed loans hereto made.

Does the gentleman want the Federal Government to go to foreclosure in my particular State, or is the gentleman willing to help work it out in this manner?

That is how simple it is.

Mr. BROCK. I thank the gentleman from Colorado.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Colorado [Mr. ROGERS].

The amendment was agreed to.

AMENDMENT OFFERED BY MR. BROCK

Mr. BROCK. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. BROCK: On page 264, strike section 1405 beginning on line 13 through line 20 on page 268, and insert in lieu thereof the following new section 1405:

"SEC. 1405. (a) Effective with respect to loans for projects for which funds are reserved after June 30, 1968, section 401(c)(1) of the Housing Act of 1950 is amended by striking all that follows the phrase 'which shall be not more than the' and inserting in lieu thereof 'rate determined by the Secretary of the Treasury taking into consideration the current average market yield on outstanding marketable obligations of the United States with remaining periods to maturity comparable to the average maturities of such loans, adjusted to the nearest one-eighth of 1 per centum, less not to exceed a rate of 1 per centum per annum as determined by the Secretary of Housing and Urban Development.'

"(b) Effective with respect to notes or other obligations financing loan contracts for which funds are reserved after June 30, 1968, the second sentence of section 401(e) of such Act is amended by striking out all that follows the phrase 'which shall be not more than the' and inserting in lieu thereof 'rate determined by the Secretary of the Treasury taking into consideration the current average market yield on outstanding marketable obligations of the United States with remaining periods to maturity comparable to the average maturities of such loans, adjusted to the nearest one-eighth of 1 per centum.'"

(Mr. BROCK asked and was given permission to revise and extend his remarks.)

Mr. BROCK. Mr. Chairman, this amendment relates to the section of the college housing loans and the 3-percent-interest section. What it does is it changes the percentage of the loan from 3 percent to a percentage which is equal to the current cost of financing the Federal debt, less 1 percent—in other words, 1 percent below our cost of acquiring the money at the Federal level.

Mr. Chairman, the amendment is not destructive in intent. It is constructive in a sense that if adopted it would make this program comply with programs which will be passed by the Committee on Education and Labor.

Mr. QUIE. Mr. Chairman, will the gentleman yield?

Mr. BROCK. I yield to the gentleman from Minnesota.

Mr. QUIE. Mr. Chairman, I thank the gentleman for yielding.

As I understand the amendment, it will delete the provision in the bill which would provide for grants being made to institutions, to pay the difference between the financing, that is, between the private market and the 3 percent which is now required.

I certainly support the amendment offered by the gentleman from Tennessee so as to come within the loan program in title III of the Higher Education and Academic Facilities Act. This came up in committee, and we adopted the administration's proposal, which this is, it is the administration's proposal in the House bill before us, and was the administration's proposal in the Higher Education Act.

The problem today in college housing loans and college facility loans is that the Federal Government is providing the money for all of the loans, and has run out of money. Prior to the 3-percent interest level being applied, the public institutions of higher learning could finance their loans through the sale of bonds at a rate at the level of the Federal Government or less, and it was never the intention that the Federal Government would finance and provide the loans for all of the college construction. And the action taken both by the Committee on Education and Labor and the Committee on Banking and Currency in the previous Congress, has led to this action now. What has happened is that the private institutions of higher learning have found it difficult to secure loans at the lower rate of interest. I think that we ought to abide by the recommendations of the administration, and not at least permit this new provision where the banks can charge, or a lending institution can charge, any rate of interest, and the Federal Government agree to pay the difference between that and 3 percent. It is a carte blanche amount, and the only limitation in here is that the Federal Government over 40 years will not make grants greater than the cost of the facility. We might as well be paying for the complete facility immediately.

Mr. BROCK. I appreciate the support of the gentleman on what we are trying to do. What I am afraid would happen under this bill would be to drive the educational institutions out of the private market, and force them into the Federal program.

Frankly, we have not the money to carry this out, and if we are going to get adequate financing I think we had better make sure of the availability of the private market. I believe under this amendment we would sufficiently guarantee all money, and make it available to the schools.

Mr. BARRETT. Mr. Chairman, I rise in opposition to the amendment.

Mr. Chairman, certainly at a time of steadily rising college enrollment, I believe it would be totally wrong to defer construction of college housing facilities, which is what this amendment would do.

The provision which the committee approved had the wholehearted endorsement of the colleges and univer-

sities. It is aimed at doing just what we have done with the housing loan program. This would reduce the impact of providing just an equal payment and place the basic financing in the hands of private lenders and private industry.

Mr. Chairman, this amendment certainly should be defeated at a time like this, when college housing is needed so badly, and when the moneys of the colleges and universities are needed so badly. To raise the rate from 3 percent to 5.5 percent, Mr. Chairman, seems to me to be clearly out of proportion.

I hope the amendment will be defeated.

Mr. REUSS. Mr. Chairman, will the gentleman yield?

Mr. BARRETT. I yield to the gentleman from Wisconsin.

Mr. REUSS. Mr. Chairman, I wish to associate myself with the remarks of the gentleman from Pennsylvania, and make this additional point: that, ironically, the committee bill, supported, I believe, by all Members on this side, relies on private financing. The Brock substitute amendment would compel public financing.

Mr. Chairman, it seems to me to the extent that we can bring private financing in—and with a very small budgetary impact to make up the difference between 3 percent and the going market rate, which in the case of tax-exempts would be something like 4.5 percent or 4.75 percent—that we not only will be doing something for sound budgeting but for a great number of college students who want to come to the city of Chattanooga, Tenn., or to the city of Rochester, Minn., and board at the college. That is what college housing is for.

I hope that the amendment will not be adopted.

Mrs. MINK. Mr. Chairman, will the gentleman yield?

Mr. BARRETT. I yield to the gentlewoman.

Mrs. MINK. Mr. Chairman, I am very much interested in the proposal contained in the committee bill and I oppose the amendment offered by the gentleman from Tennessee.

I think for the very modest amount that this particular section of the bill would cost the Government, in other words the sum of $10 million, we will see the growth in excess of $400 million in new college dormitories.

I think no one in this House needs to be told about the very critical problem facing our colleges which have increasingly greater numbers of students being enrolled on their campuses.

Mr. Chairman, I would urge that this amendment not only be voted down but that the provision included in the bill be supported most enthusiastically as a very wise solution of the problems on our college campuses.

Mr. BROCK. Mr. Chairman, will the gentleman yield?

Mr. BARRETT. I yield to the gentleman from Tennessee.

Mr. BROCK. I might just point out to the gentlewoman from Hawaii, I think we share the same objective of trying to expand the availability of financing for college housing.

But I do believe that her argument perhaps could be self-defeating in that it will drive colleges out of the public financing area, and out of the bond market.

In this case, they are simply not having enough support to achieve the financing they must have.

I think perhaps we disagree on the means, but I do not believe we disagree as to the objectives.

Mr. BARRETT. Mr. Chairman, I certainly hope that we can vote immediately and vote this amendment down.

Mr. QUIE. Mr. Chairman, I rise in support of the amendment.

Mr. Chairman, we have hit a problem in college construction loans from the fact that the interest rate on direct loans was reduced to 3 percent, while interest rates have gone up on private money.

Until the 3-percent interest rate was provided in the law, here is what we found in the college loans. Most public institutions of higher learning found that they could borrow money at the same rate that the Federal Government could borrow, or less. That means that a State could borrow at about the same rate and the municipality could borrow at about the same rate because they sold their bonds and they would be tax exempt and they would have quite an appeal to the private market.

When you went to the 3-percent interest rate, every institution of higher learning in the country wanted that big subsidy of 3 percent interest. There just has not been enough direct loan money available under those circumstances.

The administration proposes that the interest rate be approximately 1 percent less than the cost of money to the Government. That would be about 4.4 percent.

Secretary Weaver, when he testified before the House Committee on Banking and Currency, said:

> The new formula for interest rates on college housing loans provides a reasonable rate on these loans which would assure that college housing funds supplement rather than supplant private financing. The program is not designed to finance all college housing construction or to compete with private financing available on terms better than those available to the Federal Government on its borrowing. It is designed to assist those educational institutions which cannot reasonably finance housing in the private market.

The question comes: Who is going to pay the subsidy, the State or the Federal Government?

Will the Federal Government assume the responsibility for every institution in the country, eliminating the need for that responsibility on the part of every State and the local political subdivision?

The main reason for a college loan is to help the private institutions of higher learning and at a rate 1 percent less than the cost of the money to the Federal Government, it is a substantial subsidy to the private institutions.

Mr. Chairman, when we have lending programs of this nature, they must be similar.

In the higher education bill that will be before this House before very long, we have accepted the administration proposal—it would be the cost of money to the Government minus 1 percent.

Facilities loan program should conform. Unless the amendment of the gentleman from Tennessee is adopted, then next week we will have to change the other bill to conform with this one.

Mrs. MINK. Mr. Chairman, will the gentleman yield?

Mr. QUIE. I yield to the gentlewoman from Hawaii.

Mrs. MINK. Is it not true that that same committee, in acting on the amendments to the vocational education bill relating to the construction of residence halls for vocational schools, adopted this precise amendment; so if the gentleman's argument in favor of the gentleman's amendment to this section is for consistency, certainly one could not find it in the Committee on Education and Labor that acted on the same day, in two different respects, with regard to the identical provision.

Mr. QUIE. We find that many committees are not consistent with themselves, and I imagine that same criticism can be made of every other committee. But it is my feeling that the colleges will construct their dormitories; that strong demand is there on the part of students for dormitories, and public institutions, if they can find their financing from private sources at a rate that is at the level of the Federal Government or less, as the law will provide if the Brock amendment is adopted, should be permitted to do so.

There is no need for the Federal Government to be subsidizing all of the States and the local political subdivisions. It is important that money for dormitories not be easier to acquire than money for academic facilities. This is more important than consistency with residential facilities for vocational residential schools which carries a substantial Federal grant.

Mr. WIDNALL. Mr. Chairman, will the gentleman yield?

Mr. QUIE. I yield to the gentleman from New Jersey.

Mr. WIDNALL. I am quite familiar with the original concept of the interest rate of 3 percent for the college housing program. The purpose of that 3-percent figure was to enable the renting of dormitory rooms at a lower figure. That was the purpose of the legislation. That is why we are trying to keep the interest rate as low as possible in this area.

Mr. QUIE. The 3-percent money just leads to grants to colleges for the building of dormitories. It is similar to what we have done in relation to academic facilities. The new language of the committee bill, of course, is the first step to grant an authorization for the construction of these facilities, and I think the House should know the direction in which we are going.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Tennessee [Mr. BROCK].

The question was taken; and on a division (demanded by Mr. BROCK) there were—ayes 53, noes 70.

So the amendment was rejected.

Mr. BINGHAM. Mr. Chairman, I move to strike the requisite number of words.

(Mr. BINGHAM asked and was given permission to revise and extend his remarks.)

Mr. BINGHAM. Mr. Chairman, I hate to take the time of the Committee at this late hour, but I believe that three of the amendments which were adopted yesterday would substantially cripple this program, as far as New York City and the big cities are concerned.

I take this time to pass on to the Members, information that I have obtained today from organizations, such as the archdiocese of New York, which have been working in this field for years. They tell me if the Anderson amendments, lowering the income limits to 130 percent of the public housing limits, are adopted by the House on the final vote, and if the second Brock amendment, which would raise the rental standard in the title II program from 20 to 25 percent of income, it would be impossible to make these programs work in New York City.

With respect to the second Brock amendment, I think there was considerable confusion in the Committee yesterday. I was confused myself, because the gentleman from Tennessee [Mr. BROCK] referred to the fact that he was proposing an amendment to the rent supplement program. This is not so. The amendment which the gentleman proposed, and that was adopted, actually applies to the new title II program for rental housing to be provided by private financing, and, as a matter of fact, the provision lowering the rental under the rent supplement program, which appears on page 56 of the bill, was not affected by the gentleman's amendment. So that in the title I program and in the rent supplement program the standard will be 20 percent, and only in the new rental program will it be 25 percent.

The remarks of the gentleman in the RECORD will show that he referred several times to rent supplements, whereas, as a matter of fact, his amendment had no bearing whatsoever on the rent supplement program. So I think in this case the Committee did not have a clear understanding as to what it was doing.

I want to repeat that, this very day, judging from the reports of the action tentatively taken by the Committee yesterday, one of the outstanding organizations in New York City in this field told me they could not operate under this program.

I hope there will be separate votes taken on these amendments and that they will be defeated.

Mr. YATES. Mr. Chairman, will the gentleman yield?

Mr. BINGHAM. I yield to the gentleman from Illinois.

Mr. YATES. Mr. Chairman, could the gentleman tell us how the archdiocese of New York came to this conclusion? I was one of those who voted for the Anderson amendment yesterday. I have checked with various officials in the Department, and they have told me they believe the Anderson amendments are workable. What was the reasoning behind the statement of the archdiocese?

Mr. BINGHAM. Their reasoning is based on their experience in this field. As a matter of fact, the archdiocese is just about the only organization that has been able to work under section 221(d)(3) in New York City, and they have been able to do it with great ingenuity, but they feel there has to be more flexibility if private financing is to be attracted to this program.

The whole idea of this program is to attract private financing and get away from Government financing.

Mr. CAREY. Mr. Chairman, will the gentleman yield?

Mr. BINGHAM. I yield to my colleague from New York.

Mr. CAREY. Mr. Chairman, I want to concur with what the gentleman from New York said. There have been consortiums of many religious faiths who have joined together to preserve the characteristics and strengths of neighborhoods. This has given great flexibility to the private ingenuity and private innovation and private enterprise concept. A multitude of voluntary organizations and the religious faiths are joining in dramatic new progressive movements in housing. For example, one in which I participated took place in Kings County. We had some difficulty under the present provisions of 221(d)(3) in attracting private financing.

Mr. BINGHAM. This title is intended to improve on it, but it will not improve on it if the Anderson amendment is adopted.

Mr. CAREY. That is correct. It really puts us back into the old public housing ideas and gives a 30 percent flat base, which is not sufficient to utilize private resources and serve a vast number in need of adequate shelter beyond their means.

Mr. BINGHAM. The gentleman is entirely correct. I thank the gentleman for his contribution.

Mr. WIDNALL. Mr. Chairman, I rise to offer an amendment.

Mr. BARRETT. Mr. Chairman, will the gentleman yield?

Mr. WIDNALL. Mr. Chairman, I yield to the gentleman from Pennsylvania.

Mr. BARRETT. Mr. Chairman, I wonder if we can get an agreement now to vote on this bill and all amendments thereto at 6:30?

Mr. PUCINSKI. Mr. Chairman, I reserve the right to object.

Mr. GROSS. Mr. Chairman, I object to that. How many amendments are there pending?

The CHAIRMAN. There are five amendments.

Mr. GROSS. Mr. Chairman, we cannot do that.

Mr. BARRETT. Mr. Chairman, will the gentleman yield further?

Mr. WIDNALL. Mr. Chairman, I yield to the gentleman from Pennsylvania.

MOTION OFFERED BY MR. BARRETT

Mr. BARRETT. Mr. Chairman, I am sure there are a number of Members here tonight who have very important engagements. I do not like to refuse the gentleman from Iowa, but I move that we terminate debate on the bill and all amendments thereto at 6:30.

The CHAIRMAN. The question is on the motion offered by the gentleman from Pennsylvania [Mr. BARRETT].

The question was taken; and on a division (demanded by Mr. GERALD R. FORD) there were—ayes 81, noes 67.

So the motion was agreed to.

AMENDMENT OFFERED BY MR. WIDNALL

Mr. WIDNALL. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. WIDNALL: Strike out section 1410 (beginning on page 272, line 3, and ending on page 272, line 22).

And renumber the succeeding sections accordingly.

Mr. WIDNALL. Mr. Chairman, HUD is seeking in section 1410 to obtain additional funds to assist in bettering the administration's overall budget deficit. If there was any chance of the budget becoming balanced, the case might be different, but what is really happening is that HUD and the administration are only obtaining more money to spend on their varied programs.

The legislation proposed would lead most to believe that all that is involved is $1 million, note lines 9 and 10, page 272.

Not well remembered is an answer to my inquiry to HUD as to whether the U.S. Housing Authority corporation had any corporate assets and what was their worth. The HUD answer is contained on page 75 of the housing hearings of 1967 and is as follows:

The corporation (the U.S. Housing Authority) had assets on June 30, 1966, of $148.6 million (after valuation allowances). Net assets after payables were $56.1 million, the Government equity. This includes the $1 million formally invested in capital stock. While the value of the assets is believed to be conservatively stated, with adequate allowances to cover any differences between book values and true values, it should be noted that most of the Government equity is invested in program loans and advances to local housing authorities.

The CHAIRMAN. The question is on the amendment offered by the gentleman from New Jersey [Mr. WIDNALL].

The amendment was agreed to.

PREFERENTIAL MOTION OFFERED BY MR. BROCK

Mr. BROCK. Mr. Chairman, I offer a preferential motion.

The Clerk read as follows:

Mr. BROCK moves that the Committee do now rise and report the bill back to the House with the recommendation that the enacting clause be stricken out.

Mr. BROCK. Mr. Chairman, I take this time to respond very briefly to the gentleman from New York on his comments with regard to the amendments of myself and the gentleman from Illinois [Mr. ANDERSON].

I point out that my amendment raising the income applicable to rentals to 25 percent was the administration-sponsored percentage. It is also the percentage accepted by the Senate and is in the Senate bill.

Second, the Anderson amendments which direct the program to low-income families are amendments which are fully supported by the people in organized labor that I have had contact with. I want that a part of the RECORD.

Mr. Chairman, the motion to recommit will contain two sections that I would like to explain very briefly.

The first relates to the so-called tenant services section which contains $60 million for an open-end section of grant services by the Secretary to public housing recipients. There is $60 million involved in this. The amendment was offered yesterday and defeated on a tie vote. You may recall this was the Gross amendment.

The second section of the motion to recommit will strike out section 412 which is the interim services section. This contains $40 million for the repair of sidewalks and related facilities in local communities.

Mr. ANDERSON of Illinois. Mr. Chairman, will the gentleman yield?

Mr. BROCK. I yield to the gentleman from Illinois.

Mr. ANDERSON of Illinois. I should like to say in response to what the gentleman from New York [Mr. BINGHAM], said a few moments ago that the amendments which I proposed and which were adopted in the Committee of the Whole yesterday, which he said would do great violence to the new rental and homeownership programs—not 2 hours ago I was called out of the chamber off the floor and talked to the two representatives of the Department of HUD, who informed me that the Secretary had told them that these were "amendments that the Department could live with."

Naturally, they prefer no limitations at all. However, the other body saw fit to impose limitations on the programs and certainly limitations contained in these two amendments are essentially amendments the Department can live with and these programs can function.

Mr. BINGHAM. Mr. Chairman, will the gentleman yield?

Mr. BROCK. Mr. Chairman, I find it is impossible to yield with the limitation of debate put upon us by the majority. I might add that I deeply resent the restraint to 15 minutes imposed by you on us when there are five amendments pending.

Mr, Chairman, I would like to explain the amendment I have, which is an amendment to the model cities section. It will strike the figure of $1 billion and insert $250 million. This is a $750 million cut. In addition to that, it imposes a limitation of 15 cities which can receive funds under the bill so that we can go back to the concept of the demonstration cities bill and prove the worth of the program. This was the great single disappointment of the Great Society, the model cities program. I know of only one city which has a moderately successful program in this, and that is the city of Norfolk, Va.

Mr. Chairman, I urge the support of that amendment when it comes up.

Mr. WIDNALL. Mr. Chairman, will the gentleman yield to me?

Mr. BROCK. Yes. I yield to the gentleman.

Mr. WIDNALL. Mr. Chairman, at the conclusion of the remarks of the gentleman from Tennessee, I would like to include the current status report on the model cities program. I had 38 replies from 75 cities contacted. Other replies are coming in. I wish to include that in the RECORD at the end of the gentleman's remarks, as an extension of my remarks.

Mr. BROCK. I thank the gentleman.

Mr. Chairman, in conclusion, I would say that my motion to strike the title of this bill is a very sincere motion. I think it would be a contribution to good government the way this bill has become such a travesty.

Mr. WIDNALL. In order to provide my colleagues with the most up-to-date information on the present status of the model cities program, I sent a telegram on Wednesday of last week, July 3, to all the mayors of the communities chosen so far to receive model cities planning funds. To date a total of 38 replies have been received out of the 75 cities contacted. The telegram asked four basic questions:

First, what is the amount and percentage of the planning funds reserved for your city which has been received to date from HUD;

Second, what progress has been made on the basis of any funds you have already received;

Third, what is the projected date for completion of your planning; and

Fourth, can you identify any major problems of Federal concern, administratively or otherwise, which adversely affect the current progress of the model cities planning.

While the problem of time undoubtedly limited the answers in some cases, the great majority are fairly extensive and detailed. I think it is possible to draw some general conclusions of importance not only for this debate but also for the future conduct of the program at the Federal level.

To begin with, there is no doubt from these telegrams and letters and telephone calls, that local officials, elected or appointed, are enthusiastic over the concept of the model cities program, and I stress the word concept. As could be expected, they see a need for additional funding, and for passage of the provisions contained in the bill now under consideration. I agree with them on both counts.

That is not to say, however, that all Federal efforts to turn concept into reality are an unlimited success. The communications, in summary, paint the following picture of the program to date.

After the Demonstration Cities Act of 1966 became law in early November of that year, the Department of Housing and Urban Development did two things. First, it changed the name of the program to model cities for image purposes, and second, it invited applications for planning funds which were to be in by March of 1967. The final decision on the first 63 cities and 65 project areas was not made until November 16, 1967, when planning funds were reserved for these communities. Almost all, it seems, renegotiated the final reservation figure in January or February of 1968, raising the figure over the original HUD projection, although it is still considered too low in many communities.

Another group of 12 cities received approval for a reservation of planning funds on March 8 of 1968. Actual contracts for the disbursement of funds took longer, and in some cases, as with Trenton and Washington, D.C., no funds at all have been disbursed to the cities. While most cities report progress in organizing for the planning process, including the establishment of task forces, the drawing up of questionnaires for the residents, the development of community participation, and the like, this has been accomplished not with HUD funds but with funds borrowed from the city treasury on the basis of the HUD reservation commitment. Projected completion dates range anywhere from this September to March of next year, with most falling around February 1, 1969.

It should be emphasized that these are projected completion dates. There is no doubt that the cities themselves feel capable of meeting these dates, provided they receive their planning funds, and provided that Federal officials lift the load of paperwork and administrative detail now demanded of overworked city staffs, and provided coordination and direction is established within HUD and among HUD and other Federal agencies, notably HEW, Labor, and OEO, and provided that the problem of community participation is settled.

I have prepared a list of the most common and specific problems worthy of Federal attention that have been submitted to me by local officials participating in the model cities program. I know that HUD is aware of many of these difficulties, and is working on them, but I think it is worth saying again that the model cities program must have the coordination and cooperation at the Federal level that will allow the local administrators and local citizens the breathing room to develop successful projects. That means stronger leadership and coordination from within HUD and also at the White House level, to see to it that other Cabinet Departments are equally concerned and aware of their responsibilities under the program.

I would like to submit the following list of identified problem areas for the RECORD, together with a list of the cities from which I have received replies:

1. The allocation of funds reserved by HUD comes too long after designation, requiring the advancement of local funds to carryout the program schedule.

2. HUD technical requirements for local staff and workload have burdened the cities without adequate funding to carry this out; laborious requirements for applications and constant reports required from audit and legal staffs leave little time for local efforts, and little room for program flexibility.

3. Lack of coordination both within HUD, and between HUD and other Federal Departments. Guidelines leave unclear the relationship between the local city agency and OEO, Labor, HEW, etc. Delays in coordination occur at the national level even when they do not occur at the regional level. Even visits to the cities are done piecemeal, instead of as a team.

4. Existing program regulations, including planning programs under HUD, do not take into account differences in approach of the Model Cities concept.

5. Uncertainty is caused by lack of earmarking of funds by other agencies (i.e., HEW), leaving local officials without knowledge necessary to develop best strategy in utilizing supplemental funds.

6. Establishment of adequate communication with residents of the area, and the over-

coming of distrust and apathy, the development of credibility for the project. A lack of publications for communication to the residents, the need for greater funding and a higher level of technical assistance for neighborhood corporations from Federal agencies was noted.

7. Information on programs affecting the Model Cities project in a particular city is often lacking on the part of local officials because of a failure to route these projects through the appropriate city officials.

Cities selected for planning funds, November 16, 1967, replying to Widnall telegram on model cities program (31 of 63):

Huntsville, Alabama.
Texarkana, Arkansas.
Fresno, California.
Oakland, California.
Denver, Colorado.
Trinidad, Colorado.
Washington, D.C.
Atlanta, Georgia.
Gainesville, Georgia.
Honolulu, Hawaii.
Chicago, Illinois.
Pikeville, Kentucky.
Lowell, Massachusetts.
Springfield, Massachusetts.
Highland Park, Michigan.
St. Louis, Missouri.
Trenton, New Jersey.
Charlotte, North Carolina.
Toledo, Ohio.
Tulsa, Oklahoma.
Pittsburgh, Pennsylvania.
Reading, Pennsylvania.
Waco, Texas.
Winooski, Vermont.
Norfolk, Virginia.
Seattle, Washington.
Duluth, Minnesota.
Portland, Oregon.
Dayton, Ohio.
Richmond, California.
Miami (Dade County), Florida.

Cities selected for planning funds, March 8, 1968, replying to Widnall telegram on model cities program (7 of 12):

Wichita, Kansas.
Bowling Green, Kentucky.
New Bedford, Massachusetts.
Helena, Montana.
Winston-Salem, North Carolina.
McAlester, Oklahoma.
Cohoes, New York.

Mr. BARRETT. Mr. Chairman, I rise in opposition to the preferential motion.

Mr. BINGHAM. Mr. Chairman, will the gentleman yield?

Mr. BARRETT. I yield to the gentleman.

Mr. BINGHAM. I thank the gentleman for yielding.

First of all, with regard to the second amendment of the gentleman from Tennessee, I would like to call his attention to page H6142 in the RECORD of yesterday where, speaking on his second amendment, he said—

The rent supplement program has been operating for 2 or 3 years now.

And further "I would like to offer the same amendment on rent supplements," and so forth.

The section on the rental standard in the rent supplement program appears on page 63 of the bill at the top of the page, and is not touched by the Brock amendment. The section to which his amendment applies is found on page 56 and has to do with a totally different program, the new program for privately financed rental housing.

Further, Mr. Chairman, insofar as the comments of the gentleman from Illinois are concerned and the statements of the representatives of the Department downtown to which he referred, I do not take their statements as gospel. I often prefer to take the word of people who are trying to work with these programs than the word of those who administer them.

Mr. BARRETT. I oppose the preferential motion and urge that it be voted down.

The CHAIRMAN. The question is on the preferential motion offered by the gentleman from Tennessee [Mr. BROCK].

The preferential motion was rejected.

AMENDMENT OFFERED BY MR. PUCINSKI

Mr. PUCINSKI. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. PUCINSKI: On page 280, after line 15, insert a new section, as follows:

"SEC. 1420. No standard, rule, regulation or requirement of general applicability prescribed by the Secretary under the authority of this Act may take effect (1) until 30 days after it is published in the Federal Register, and (2) unless interested persons are given an opportunity to participate in the formulation of such standard, rule, regulation or requirement through the submission of views or arguments at a public hearing."

Mr. PUCINSKI. Mr. Chairman, this amendment assures that the public shall have an opportunity to participate in this rulemaking process.

Mr. Chairman, in the last three decades, the cost of Government has risen from $9 billion in 1940 to $168 billion in 1968. Congress has been obligating more and more power to administration in disbursing these funds. It appears only logical to me that Congress should at least retain some voice in shaping the final rules and regulations for disposal.

The distinguished chairman said this amendment would take us back to the horse and buggy era. He errs in this conclusion. Most other agencies now operate under the Administrative Procedure Act and must publish their proposed rules and regulations in the Federal Register. Here is a bill containing 280 pages and involving $5½ billion. Why should the agencies in this bill not come under the same regulations as all other agencies of Government?

He says this will increase redtape. The contrary is true. It will eliminate redtape when administrators know that their bulky regulations must stand the test of public inspection before they become final.

Mr. Chairman, I have no criticism of these agencies, but I believe much suspicion and mistrust can be eliminated, and their programs become more acceptable if their rules and regulations are promulgated with the full cooperation of Congress and other interested parties. I hope the amendment is adopted.

Mr. PERKINS. Mr. Chairman, will the gentleman yield?

Mr. PUCINSKI. I yield to the gentleman from Kentucky.

(Mr. PERKINS asked and was given permission to revise and extend his remarks.)

Mr. PERKINS. Mr. Chairman, all of us who are interested in seeing that all our people have a chance to live in decent home owe a debt of gratitude to our Committee on Banking and Currency. That committee has brought to us one of the greatest advances in housing legislation that this Chamber has had.

I hope we will give our approval to the committee's work without changing to any great degree what it and the other body have achieved.

I am especially pleased that this legislation not only would provide better housing for the poor who live in our cities; it also offers a chance to the rural poor to have decent homes.

The other body and our own committee are to be commended for a truly new approach to the problem of financing not only home rental but also homeownership by low-income families.

Under this new approach the Government will subsidize interest payments rather than the whole mortgage. Those who occupy the homes would pay, on a sliding scale basis, a certain percentage of their income for housing. The Government would make up the difference.

As the family's income increased, its share of the interest and mortgage payment also would increase.

I like also that feature of the legislation which provides the Government subsidy at established interest rates, instead of the below-market rates currently in effect for housing programs. That provision should encourage private capital to participate far more fully than it now is doing.

We all know that city ghettos and rural slums must give way to Government-subsidized housing if we are to make progress. The three requirements, in my view, are employment, housing, and education. This legislation is our most forthright attack upon the problem of providing an opportunity for the poor not only to occupy decent housing but to become homeowners. I hope no amendments will be adopted which would dilute the fine work done by our Banking and Currency Committee and by the other body.

Of course, there are many important provisions in this bill, besides the housing section. Among them is the very vital model cities program. At this point, when this program is just getting started with its effort to modernize our cities, I hope nothing will be done on this floor which will diminish its effectiveness.

We cannot afford to be parsimonious with our attempts to provide proper housing for all our people; we cannot afford to practice false economy in our attempts to make our cities fit places in which to live.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Illinois.

Mr. PATMAN. Mr. Chairman, I desire to be heard in opposition to the amendment which has been offered by the gentleman from Illinois [Mr. PUCINSKI].

The CHAIRMAN. The gentleman from Texas is recognized.

Mr. PATMAN. Mr. Chairman, this amendment should be defeated. We adopted one which eliminates redtape which was offered by the distinguished gentlewoman from New Jersey [Mrs. DWYER]. However, this amendment, if adopted, would bring about a lot of redtape. This amendment would add red-

tape. In other words, all cities and towns under this amendment would have to have a Washington representative to keep up with the Federal Register in order to find out what was and what was not. At best, it would be terribly cumbersome and would create additional redtape.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Illinois [Mr. PUCINSKI].

The question was taken; and on a division (demanded by Mr. PUCINSKI) there were—ayes 54, noes 78.

So the amendment was rejected.

The CHAIRMAN. The Chair recognizes the gentleman from Michigan [Mr. HARVEY].

AMENDMENT OFFERED BY MR. HARVEY

Mr. HARVEY. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. HARVEY: On page 278, after line 19, insert the following new section:

"STUDY OF NATIONAL BUILDING CODE

"SEC. 1419. (a) The Secretary of Housing and Urban Development is authorized and directed to conduct a study of the feasibility of establishing a national building code, giving consideration to the extent to which such a code can or should impose requirements or standards of specific types and the methods by which compliance and enforcement might be encouraged or achieved.

"(b) The Secretary shall submit the results of the study, together with appropriate recommendations, to the President and the Congress no later than six months following the date of the enactment of this Act."

And renumber the succeeding section accordingly.

Mr. HARVEY. Mr. Chairman, very simply, my amendment would authorize and direct the Secretary of Housing and Urban Development to conduct a study of the feasibility of establishing a national building code, and to report the results of such study to Congress in 6 months after the enactment of this bill.

In the President's state of the Union message, he called for 6 million units of low-cost housing in the next decade. This averages 600,000 units a year. It is worth pointing out that although we have had authorized 60,000 units of low-rent housing this past year, that at best we have only been able to accomplish slightly more than half that figure. Needless to say, it is a long way from the 600,000 per year that the President hopes to build in the years ahead.

Somehow, Mr. Chairman, we must not only modernize, but also standardize our building techniques. One of the greatest stumbling blocks to the mass construction of homes for the poor are the various building codes, almost all differing in some respect from each other.

Many different governmental commissions, and other organizations have studied this problem, and almost all agree that something must be done. Only the executive branch of Government, however, has the power and authority to, first of all, admit that the problem exists, and then do something about it by encouraging the adoption of a uniform building code by the States, municipalities, and other units of government.

There are presently in the United States, four different organizations, all of which have drafted very excellent building codes. Three of these organizations are composed of building inspectors—people who make their living working with such a code. The fourth organization is made up of representatives of various fire insurance companies. My point is this: It has been clearly demonstrated that such a uniform code is possible. Now the means should be found to bring it about if we are to accomplish the goal that President Johnson says is necessary in the years ahead.

Mr. Chairman, I have been impressed with the work that the Advisory Commission on Intergovernmental Relations has done in this field. In their January 1966 report they urged, first, the development of a code for voluntary adoption by the States; second, a program of building research; third, presidential action to bring about uniformity in building among the Federal agencies themselves; and, fourth, initiation of a program within the Federal Government to develop "performance" criteria instead of simple "specifications." But again these recommendations of the Commission illustrate that only the executive branch of the Government has the power to bring this about. We can hope that the Douglas Commission, appointed by the President to consider this among other problems, will add weight to all of the other recommendations that have recognized this need. Only the executive department can bring it about, however, Mr. Chairman.

In conclusion, let me say that I have heard it said that a uniform building code would represent a Federal takeover. It seems to me that just the opposite is true. The continued failure of code-writing groups to achieve uniformity, and the continued failure of the building industry to achieve standardization, will bring about a complete Federal takeover of the housing industry.

Mr. BARRETT. Mr. Chairman, will the gentleman yield?

Mr. HARVEY. I yield to the gentleman from Pennsylvania.

Mr. BARRETT. Mr. Chairman, I certainly would not accept the amendment offered by the gentleman from Michigan. This would overlap the Douglas committee.

Mr. HARVEY. Mr. Chairman, I decline to yield further.

Let me say this: I know of the Douglas Commission, and I know there is also an Intergovernmental Commission, but I believe the need is clear.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Michigan [Mr. HARVEY].

The amendment was rejected.

The CHAIRMAN. The Chair recognizes the gentleman from Iowa [Mr. GROSS].

AMENDMENT OFFERED BY MR. GROSS

Mr. GROSS. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. GROSS: On page 262, line 9, strike the period, insert a colon, and add the following: *"Provided further,* That the Secretary of the Treasury be directed to levy a 10-percent surtax in an effort to provide ways and means to defray the costs of the numerous giveaways and experiments authorized in this bill."

The CHAIRMAN. The question is on the amendment offered by the gentleman from Iowa.

The question was taken; and on a division (demanded by Mr. GROSS) there were—ayes 36, noes 80.

So the amendment was rejected.

The CHAIRMAN. The Chair recognizes the gentleman from Tennessee [Mr. BROCK].

AMENDMENT OFFERED BY MR. BROCK

Mr. BROCK. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. BROCK: On page 262, line 1, strike out "$1,000,000,000" and insert in lieu thereof the following: "$250,000,000 (which shall be available for assistance to programs in not more than fifteen cities, selected on the basis of their need and the planning and development of their programs)".

The CHAIRMAN. The question is on the amendment offered by the gentleman from Tennessee [Mr. BROCK].

The question was taken; and on a division (demanded by Mr. BROCK), there were—ayes 60, noes 88.

So the amendment was rejected.

AMENDMENT OFFERED BY MR. JONAS

Mr. JONAS. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. JONAS: On page 280 add a new title as follows:

"TITLE XV

"REDUCTIONS IN AUTHORIZATIONS

"SEC. 1501. Notwithstanding any other provision of this Act, authorizations for appropriations, reauthorizations, contract authorizations and reauthorizations, and authorizations for the issuance of notes or other obligations to the Secretary of the Treasury contained in this Act are hereby reduced in each instance by 10 per centum."

The CHAIRMAN. The question is on the amendment offered by the gentleman from North Carolina [Mr. JONAS].

The question was taken; and on a division (demanded by Mr. JONAS), there were—ayes 66, noes 91.

Mr. JONAS. Mr. Chairman, I demand tellers.

Tellers were ordered, and the Chairman appointed as tellers Mr. JONAS and Mr. PATMAN.

The Committee again divided, and the tellers reported that there were—ayes 93, noes 123.

So the amendment was rejected.

AMENDMENT OFFERED BY MR. WIDNALL

Mr. WIDNALL. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. WIDNALL: Strike out section 1408 beginning on page 270, line 7, and ending on page 270, line 15, and renumber the succeeding sections accordingly.

The CHAIRMAN. The question is on the amendment offered by the gentleman from New Jersey [Mr. WIDNALL].

The amendment was rejected.

(Mr. RYAN asked and was given permission to revise and extend his remarks.)

Mr. RYAN. Mr. Chairman, I deplore the action taken by the Committee of the Whole yesterday to restrict eligibility for title I and title II interest subsidy assistance payments to families whose income does not exceed 130 percent of public housing income limits. I am hopeful that this action will be reversed by rollcall votes of the House.

I want to note a number of fallacies which characterized yesterday's debate. In the first place, it was suggested that 70 percent of the families in the United States could qualify for assistance unless these income limits were imposed. This is based on the percent of families earning less than $10,000 annually. What was not mentioned in the debate yesterday is that families earning between $7,500 and $10,000 could only qualify for assistance in the areas of the country where housing costs are highest, not in the entire country. Moreover, the key element of the interest subsidy program is the fact that the amount of subsidy decreases as income increases.

The chart on page 8 of the committee report demonstrates this. For example, a family with a $14,000 mortgage earning $4,200 yearly would receive a subsidy equivalent to $46.52 monthly. But a family earning $6,600 yearly would receive a monthly subsidy of only $6.52. The imposition of an arbitrary ceiling of 130 percent of public housing income limits would impair this ingenious feature, which permits a gradually decreasing subsidy as income rises. Instead, when the limit is exceeded, the family would suddenly be faced with a large monthly payment. The Anderson amendment would destroy incentive to improve income by destroying the gradually decreasing subsidy which the original bill permitted.

The argument that HUD would concentrate its projects in the higher income brackets, in order to stretch the funds and improve the statistics on the number of families assisted, is also a false argument. Under this bill apartments and homes of certain quality are to be constructed. The amount of subsidy will depend upon the income of the applicant, which HUD cannot forecast in advance.

The Anderson amendment with respect to title II—rental and cooperative housing—would seriously cripple the program in urban centers. It restricts the income of beneficiaries at the time of entry to 130 percent of public housing income limits. In New York City, for example, where 130 percent of the public housing limit for a family of four is $7,488, decent unsubsidized housing is simply not available for persons in the $7,500 to $10,000 income range because of the cost.

Four factors contribute to the cost of housing: land acquisition, construction, the terms of borrowed money, and taxes. In New York City the middle-income "Mitchell-Lama" housing program provides long-term mortgages at 5¼ percent interest, offers tax abatement, and often benefits from subsidized land acquisition through urban renewal writedown. The program also permits a limited return to the private sponsors. Yet even with this range of subsidies, new middle-income housing under this program is renting for more than $40 per month. This requires an income of about $10,000 for a family of four. Entirely unsubsidized housing, of course, rents for a great deal more. This is why in New York, and in other large cities, it is simply not equitable to impose an income limit equal to only 130 percent of public housing income limits.

Because of the Anderson amendment to title II, families earning $8,000 or $9,000 a year will simply be excluded. The irony is that under the bill as reported by the Committee, families in this moderate-income range would be paying a rental fairly close to the unsubsidized fair rental, and the subsidy would be minimal.

In summary, the Anderson amendment is most injurious in precisely those areas of the country where the housing shortage is greatest, where the scarcity has pushed up costs, and where unsubsidized middle-income housing simply does not exist.

It is a short-sighted amendment, penny-wise and pound-foolish. It is strange that the amendment has been produced by the minority side, which is always talking of personal initiative, since it would penalize those families who take steps to increase their earnings. It will discourage them from raising their income to a point where all subsidy will cease, and the housing become self-supporting.

I also regret the adoption of the Brock amendment raising the percentage of income which must be paid for title II rental and cooperative housing from 20 to 25 percent. For a large family, even with the deduction of $200 from reported income for each minor dependent, 25 percent of income is too large a portion. Utilities amounting to $15 to $20 monthly must also be included. Experience with the rent supplement program in New York shows that, to require a large family to pay 25 percent of its income—before taxes and utilities—for rent, is to require it to forego other necessities of life. A family earning $20,000 yearly can pay 25 percent of its income for rent and still afford the other basic necessities of life—food, clothing, and so forth, which do not rise proportionately with income. But low- and moderate-income families are especially hard-hit by the 25-percent requirement. Even 20 percent may be excessive in some cases.

I urge the House to defeat this amendment and to restore the 20-percent provision under title II, so there will not be a discriminatory discrepancy between title I and title II.

Mr. GILBERT. Mr. Chairman, I rise in support of H.R. 17989, the Housing and Urban Development Act of 1968, one of the most significant housing bills ever brought before the Congress. I am greatly impressed with the comprehensive attack this bill makes on the housing problems facing low- and moderate-income families.

For a long time I have been deeply concerned about the shortage of decent and adequate housing for the low-income families in my own congressional district in the Bronx, N.Y. This situation is multiplied throughout the country, and it is fast becoming worse. The bill before us offers several answers to this problem, each interrelated in some manner with the other.

First, there is the homeownership assistance provision, which I heartily support. Over the next 3 years nearly one-half million American families will be helped in buying a home—for most, their first opportunity to own a home—through the bill's program of interest subsidies based on their incomes. It will not only help many to get adequate housing, but will stimulate the addition of crucial new units to the supply of modest homes.

Second, there is a strengthening and expansion of section 221(h), existing homeownership assistance program, otherwise known as the Sullivan's law, after the distinguished Congresswoman from Missouri who sponsored this proposal 2 years ago. Together these two programs give low- and moderate-income families the option of homeownership, an option which has not been readily available to them in the past. We all recognize the effect that homeownership can have—not only will people be housed decently, but they will be given an opportunity to obtain a stake in their community. With this bill, for the first time on a large scale, families that cannot afford adequate housing will be helped to own their homes. I think this is a very significant step in this Nation's housing program.

Third, for those who find homeownership unsuitable, a new rental assistance program is provided with about the same scope as the new homeownership program. As desirable as homeownership may be, it would not be practical for some low- and moderate-income persons, such as the elderly who need little living space or for whom renting would be more economical, the childless or families with few children, the single, and those who just prefer renting to the responsibilities of homeownership.

This program, based on an interest subsidy as is the new homeownership program, will be a natural complement to that program, providing housing at approximately the same cost to families in the same income group.

Fourth, for the very low income, the two eixsting programs—low-rent public housing and rent supplements, which I have supported in the past—are strengthened and greatly expanded in scope. These two programs serve persons who generally need a deeper subsidy than will be possible under the two new programs. Since the assistance in the new homeownership and rental programs should be sufficient to meet the needs of those whose rising incomes remove them from eligibility for public housing, these programs are designed to avoid denying anyone the assistance he needs to obtain adequate housing because his income is too high for one program and too low for the next.

H.R. 17989 also provides measures to increase the amount of private money invested in mortgages, particularly those involving low- and moderate-income families. There is no sense enacting substantial subsidy programs that rely on the private market to provide housing if the investment money is not there. Briefly, one of these measures is the trans-

fer of the secondary market facility of the Federal National Mortgage Association to a corporation privately owned and controlled, but regulated by the Federal Government. The corporation will have new and innovative borrowing authority to attract funds into mortgages which have in the past been channeled into other investments. Another measure is the creation of National housing partnerships which are designed both to attract new money into low- and moderate-income housing and to facilitate the development of such housing projects.

Mr. Chairman, many of the bill's provisions continue the imaginative proposals already enacted. Among them are the model cities and rent supplement programs, which have had my strong support from the beginning, and are showing great promise. The comprehensive city planning and rehabilitation under the model cities program is a program we must keep alive and expand. Both of these programs have shown they merit expanded support by Congress. The bill would increase model cities authorization by $362 million in fiscal 1969 and $1 billion in fiscal 1970.

I urge the adequate funding of the rent supplement program. Thus far, only $42 million has been appropriated for this program, and this is pitifully inadequate. The administration bill proposed to increase the authorization for contract authority by $40 million for fiscal year 1970, and an additional $100 million in each of the fiscal years 1971, 1972, and 1973. This increase will provide a total increase of about 375,000 units over 4 years. By contrast, H.R. 14244 proposed an additional 200,000 rent supplements yearly for the next 10 years. I support the higher figure proposed in the Full Opportunity Act, H.R. 14244, which I have cosponsored.

I am pleased the bill contains the amendment to make State and municipally financed housing eligible for assistance under the new section 236 interest-subsidy program. Housing such as New York's Mitchell-Lama project will benefit from this provision, as well as the proposal in the bill to make this type housing eligible for rent supplement tenants. The Mitchell-Lama and similar State-city housing projects are faced with spiraling construction, site, and interest costs, and what was intended as moderate incomes housing is no longer that. This provision will make it possible for new Mitchell-Lama housing to get 1-percent financing. The rates are now about 5 percent. An interest-rate reduction will have the effect of reducing rentals to about $30 a month. Without this subsidy assistance, this type of State-city financed housing project will be priced out of the reach of the low- and moderate-income families. Unfortunately, the proposed interest-subsidy amendment will not benefit existing Mitchell-Lama housing, but it will be of tremendous help to those projects yet to be completed.

Mr. Chairman, I express my support for title X, the Urban Property Protection and Reinsurance Act, to make essential property insurance more readily available to inner city areas through the operation of FAIR plans. The workability of the FAIR plans is conditioned upon the good will and cooperation of the insurance industry and the various State insurance commissioners. The Federal Government will add incentive for successful operation by requiring FAIR plan participation by the industry and the States as a condition of eligibility for the riot reinsurance the bill proposes.

I also lend my support to the increased mass transit authorization of $190 million, which is minimal when compared with our mass transportation needs.

Mr. Chairman, the jobs through housing provision of the bill has my special commendation. This section calls for new housing construction at the rate of 600,000 units per year for the next 10 years, yielding a new housing total of 6 million units by 1980. What is even more important about this section is that the Secretary of Housing and Urban Development is directed to "require, to the greatest extent feasible, that opportunities for employment arising in connection with other provisions of H.R. 17989 be given to lower income persons residing in the area of such housing and, thereby, provide not only housing but also jobs for these persons." Our cities will derive double benefits from the new housing so critically needed. I urge special attention be given by HUD to allot construction jobs to inner-city residents, where unemployment and poverty are most prevalent. It is anticipated that the building of 600,000 new housing units would create a half million new jobs for inner-city residents. This is a most meritorious provision of the omnibus housing bill before us, and I give it my wholehearted support.

Mr. Chairman, the Housing and Urban Development Act of 1968 as it came to us from the Banking and Currency Committee improves just about every program we already have in the field of housing and urban development. It goes far beyond that by proposing new and imaginative approaches with heretofore proposed limitless potential for providing adequate housing for the low- and moderate-income families of our Nation. In addition to providing the opportunity for decent housing for all our citizens, the bill seeks to provide dignity and security to the underprivileged, the low-income and minority groups, through homeownership and job opportunities.

We must not cripple this legislation or weaken it in any way. I oppose the Anderson amendment which would limit unreasonably the income ceiling on families eligible for the new homeownership and rental programs—sections 101 and 201—for low- and moderate-income families. This amendment would make the program inoperable in New York City.

And I am opposed to the Brock amendment which would force the tenant to pay 25 percent, instead of 20 percent, of his income each month toward rent.

I support the authorization for tenant service in low-rent public housing projects. This is important and needed not only in my city and in my congressional district, but in every city where a large segment of residents must live in public housing.

Mr. Chairman, I am convinced this bill gives us the tools to meet a great national need. I consider it one of the most important pieces of social legislation considered by the 90th Congress. Paving the way for adequate and decent housing for all Americans should be one of the major goals of this Congress.

Mr. VANIK. Mr. Chairman, I rise in support of the legislation before us today, the Housing Act of 1968. This bill maintains and improves programs which are vital to the city of Cleveland and the suburban communities of the Greater Cleveland metropolitan area.

One of the crucial needs of the communities I represent is the need for truely coordinated, advanced planning for urban development among Cleveland's suburbs. These communities have shown a fantastic and accelerating population growth over the last 15 years. As a result, they are today faced with major problems of insuring an adequate and healthy water supply, of obtaining and maintaining adequate sewage treatment and planning for future sanitary districts.

Currently in my community there is considerable concern over the future development of adequate transportation throughout the Cleveland metropolitan area. The Cleveland area has had remarkable success with rapid transit systems and is currently developing the first rapid rail transit system between its international airport and the center of the downtown area. The Cleveland area also recognizes the necessity of adequate highways which will meet the needs of the area's expanding population. Careful planning will be required to insure the Cleveland area the proper combination of rapid transit and highway transportation while maintaining vitally needed open spaces and parks.

Title V of the bill before us provides for supplementary grants for planned areawide development. In the last several weeks, Federal approval and financing was given to a planning agency composed of seven northeast Ohio counties, including Cuyahoga County in which Cleveland is located. Title V will help provide for continuing, strong support of this planning agency which is seeking to solve the problems of my area before they become critical. Title V also provides for advance acquisition of land and continuation of authorization of appropriations for water and sewer facilities grants, neighborhood facilities funds, and other programs vital for urban planning and development.

Title VI of the housing bill will assist in urban development by increasing the authorization for mass transit grants by $190 million.

H.R. 17989 will also improve programs vital for the maintenance and reconstruction of our central cities. This legislation is particularly vital to the new hopes and aspirations of the city of Cleveland. At the beginning of May 1968, Cleveland's new mayor, Carl Stokes, announced a dynamic new plan for the redevelopment of Cleveland entitled: "Cleveland Now." This plan seeks to make Cleveland a city of tomorrow today.

But to do this, the city will have to coordinate and utilize a full range of private, local, State, and Federal funds. The

Cleveland Now plan calls for a $1.5 billion investment in Cleveland over the next 10 years with $177 million spent in the first 18 months to get the program off the ground. Included in this first $177 million will be $90.75 million for neighborhood housing rehabilitation. This will mean concentrated code enforcement in low-income areas, a $10 million homeownership program, $36 million in public housing programs, and the modernization of 1,500 homes for $18 million. An additional $61 million will be spent on accelerated urban renewal projects.

Without the passage of the legislation before us and its subsequent funding, this dream for Cleveland will be severely curtailed.

With its passage, the dream moves toward reality.

Titles I and II will provide new and innovative paths to homeownership. In addition, title II would expand the rent supplement program. Already in Cleveland there are 12 rent supplement projects with a total of 732 units in use. This entails the supplementary payment of only $735,698 per year.

Title III will make home improvements easier by increasing from $3,500 to $5,000 the home improvement loan insurance program.

Also vital for Cleveland is title IV which increases urban renewal grants authorization by $1.4 billion on July 1, 1969.

Supplementary grants for model cities will also be increased by $1 billion for fiscal 1970. Needless to say, Cleveland's hopes are pinned on being accepted as a model city. The city has a planning application in which requests $396,663 in Federal funds for developing a model city blueprint. The next series of approvals of model cities will be announced by the Department of Housing and Urban Development in the next 2 to 4 weeks. The result of the vote today will show whether the program will be meaningful or merely an empty promise.

Mrs. MINK. Mr. Chairman, I rise in opposition to the Brock amendment to section 1405 of the bill. The critical shortage in college dormitory facilities which we face to day requires new positive programs of assistance rather than merely raising the interest cost for direct loans by the Federal Government.

In 1950, under the able leadership of the House Committee on Banking and Currency, the Congress authorized a Government program of direct loans at a 3 percent interest rate, with an annual authorization of $300 million for college dormitory construction. This assistance has enabled our Nation's institutions of higher learning to mount a program of dormitory construction since 1950 totaling $2.875 billion.

However, today, vastly accelerated college enrollments over the past decade have expanded the need far beyond what can be loaned under present authority. The backlog of requests for college housing loans has become formidable. Shortage of funds in addition caused the administration to declare a moratorium on applications in 1966, with over a billion dollars worth of unfulfilled requests on hand. The unmet needs today is in excess of $2 billion dollars.

While the Federal loan program has contributed to the financing of some 600,000 housing units since 1950, a survey report prepared for the American Council on Education last year projected a need for an additional 1.5 million accommodations over the next decade, which with a conservative estimate of $5,000 per unit, will call for minimum expenditures of $10 billion in the decade ahead, for new college housing.

I am certain that many Members of Congress have had this problem brought to their attention during recent months, and it has become obvious that the present program, unless greatly expanded, will not suffice to provide more than a fraction of the accommodations as college admissions mount year after year.

Certainly the increase in cost of borrowing funds directly from the Federal Government contained in the Brock amendment will not help except to lower the cost of direct loan program. What is needed is an additional resource of funds. The provision that the Brock amendment seeks to delete provides for the additional funds to come from private financial institutions. This additional source will produce another $400 million of construction funds at only a cost of $10 million.

I have studied this problem for many months and this provision in the bill was the result of recommendations made by representatives of major educational associations.

This grant provision in this bill is designed to supplement the existing loan program by providing the needed housing at a cost within the reach of students and their families without imposing a burden on the Federal budget. It would be done through private financing, with the Government providing only that margin of assistance necessary to give colleges the benefit of the same 3-percent financing available under the existing loan program.

The approach in this bill is very simple: The university would finance the dormitory by selling serial bonds to private investors at the market rate of interest; under a contract previously entered into, HUD would make an annual payment of the difference between the actual debt service and the debt service at a 3-percent interest rate; the 3-percent direct loan authorization in existing law would remain available to be used in cases where the private market required an inordinately high interest rate, with discretion left to the Secretary to determine the dividing line.

This bill provides that $10 million would be made available to institutions for this interest subsidy for this fiscal year and an additional $10 million the next fiscal year. The impact on the Federal budget in any year under the supplemental interest payment approach would be very small. For example, assuming an average private market interest rate of 5 percent for public and private universities together, an annual interest grant of $10 million would achieve the effect of 2 percent interest on $450 million of additional college housing financing, over and above the direct loan program.

I am pleased to note that the reaction of educators has been favorable to this principle embodied in this bill. The National Association of State Universities and Land-Grant Colleges, termed this provision a "constructive" approach to the problem. It was also supported by the Association of State Colleges and Universities, an organization comprised of 213 institutions of higher learning and seven statewide systems of State colleges in 41 States and Guam.

The Investment Bankers Association of America has also gone on record in favor of this program of assistance to higher education.

I believe that we do have with this provision a feasible and workable plan whose early inception at such a minimal cost to the government can do much to relieve the present worsening situation in providing adequate college dormitories on our college campuses. I sincerely hope that his House will vote down the Brock amendment and thereby support the carefully worked out provisions of this bill which have the approval of educators as well as the business community. This most critical shortage of dormitories is seriously affecting hundreds of thousands of college students and depriving many of the fulfillment of their educational goals. If higher education is to be fully available and an open opportunity to our youth, we must not cut down our help; rather we must judiciously utilize our resources to make greater the reality of education for all our young people.

Mr. MATSUNAGA. Mr. Chairman, the foundation for rebuliding our cities is contained in the bill we are discussing today and one of the focal points of this measure is in its provisions to provide low- and moderate-income housing.

Underlying this bill is the specific national goal—a goal with which I am sure everyone is in agreement—a national goal of building and rebuilding in the next 10 years of sufficient good, decent housing which will replace nearly all of the substandard structures which now are occupied by 20 million Americans.

This legislation represents a national commitment which is needed to assure our carrying out the pledge—now nearly two decades old—of a decent home in a decent neighborhood for every American.

In title I of the bill, a new program is created which would provide Federal assistance to homeownership by low- and moderate-income families, which is out of the reach of most of these people today. While out of reach, it is a strong hope and dream of many of them that some day they will own their own home.

The bill will make it possible for many such people to become homeowners through periodic assistance payments on behalf of such families. The payments would be made to the lender in an amount necessary to make up the difference between 20 percent of the family's monhly income and the required monthly payment under a market interest rate

mortgage for principal, interest, taxes, insurance, and mortgage insurance premiums.

With the 1 percent recommended in the bill, a family with an income as low as $3,600 a year will be able to afford a home with a $12,000 mortgage.

Many other provisions in title I are designed to increase the opportunities for Americans to live in decent houses, either as owner or renters.

Among the provisions which provide for increased opportunities are:

A liberalized interest rate under the existing section 221(h) Sullivan program for the rehabilitation and resale of homes;

New FHA credit assistance for homeownership;

Mortgage insurance for housing in declining areas and special risk insurance under a new fund to be established;

Direct assistance to nonprofit sponsors who can develop rental or cooperative housing;

A new national partnership between private enterprise and the Government dedicated to providing housing for lower income families, particularly through limited dividend sponsorship; and

New technologies in the development of housing for lower income families.

This is an ambitious task that we are setting for ourselves—but it is a task that we cannot put off any longer and it is a task which is not too large for a Nation with the skill and the resources which we possess.

Housing is the key to any solution of the problems of our cities. It is the key to successful urban renewal; it is the foundation for the success of the model cities program; it is the key to the welfare of the United States.

Mr TENZER. Mr. Chairman, "America's cities are in crisis," President Johnson declared last winter. To meet this crisis, he offered a broad legislative program which included this year's Housing and Urban Development Act.

One important feature of the measure would extend homeownership to the Nation's needy families.

Owning a home—

The President said—

can increase responsibility and stake out a man's place in his community.

Under this program, low-income families will be able to buy modest homes financed and built by private enterprise. They will pay what they can afford—a percentage of their income—in mortgage payments, but the mortgage interest cost could be as low as 1 percent. The Government would pay the balance of the interest cost.

The bill also provides for an expansion of the rent supplement program through increased funding. Here, assistance is also scaled to need, with occupants of the privately built and managed housing paying one-fourth of their income as rent and the Government paying the amount needed to make up the full economic rent.

Still another feature of the bill would help the Nation gird for the job of supplying the vast amounts of home financing needed in the period ahead. This is contained in the section which would regear the Federal National Mortgage Association, the facility which aids home financing through its purchases of FHA and VA mortgages. As contemplated by the FNMA Charter Act of 1954, Fannie Mae's Secondary Market Operations would be established as a separate, privately owned corporation, regulated by the Secretary of Housing and Urban Development to the extent necessary to implement national housing policy. A second corporation would be organized within HUD, to be called the Government National Mortgage Association, and would conduct the present corporation's special assistance financing.

The new private corporation could issue securities backed by mortgages it holds, and thus be able to tap additional sources of funds, such as pension funds, which do not ordinarily invest in mortgages. The legislation would also free the corporation from budget restraint. The proposed change in Fannie Mae, in my view, is essentially to achieving adequate financing and a strong FHA–VA mortgage market.

These and other proposals in the legislation, Mr. Chairman, deserve our favorable action as the means for providing adequately for housing.

Mr. LEGGETT. Mr. Chairman, this legislation is a magnificent response to our Nation's housing and community development needs.

It represents an unprecedented new national commitment to urban affairs—a commitment of particular value and significance in the context of recent events.

Against the background of a 10-year drive to build 26 million housing units, this legislation proposes Federal assistance for 6 million of the total: the 6 million to replace the substandard housing in which our low- and moderate-income families live who cannot afford decent housing on their own.

New programs provide, through interest subsidies, homeownership and low-rental housing to millions of Americans who could not otherwise afford it. Metropolitan areawide incentive grants, FHA insurance for nonprofit hospitals and revision of the existing urban renewal program round out the measure, giving new means for helping to fashion our metropolitan environment.

With its programs, the legislation would enable the release of all the know-how, all the skill and talent which historically have characterized great American undertakings. The talent and skill which built America's greatness—which we generally call "private enterprise"—will be enlisted in carrying out the purposes of the legislation which looks to the full involvement of the present home-building industry, as well as the involvement of large segments of private industry which have not before been directly involved in housing.

It offers us new instruments for tapping the management skills and financial resources of private enterprise—an essential ally if we are to make real headway in the urban battle. It creates national housing partnerships in which private enterprise would apply its energies to solving the problems of housing for families of low and moderate incomes. These would be partnerships that would join capital, business, and managerial skills. They would have access to the capital available in large business concerns, and would benefit from their experience and ability in the investment field. They would also have an opportunity to earn a fair return while helping to solve a national problem which all citizens share.

Much private housing now built with Government assistance is developed by nonprofit sponsors. These typically are church groups, fraternal orders, labor unions, and other concerned citizen groups. Their most serious barrier has been the lack of technical skills and financial resources.

This legislation would expand technical aid to such groups and make available interest-free loans to carry them through their preconstruction expenses. These loans could cover market analyses, architectural and engineering fees, land options, and application and commitment fees.

This assistance can also help develop minority-group entrepreneurs.

Thus, the aids of this legislation would tap an ever-widening cooperation between public and private organizations—all intent on achieving the country's goal of a decent home in a suitable environment for every American family.

Mr. MINISH. Mr. Chairman, we have before us in this bill what I consider to be one of the greatest vehicles yet devised for the welfare of American communities, large and small. Its passage is of the utmost urgency.

I am not here to try to convince you that this is the panacea to end all panaceas for the ills of the Nation's cities. We have a long way to go before we reach anything resembling Utopia. Perfection, in our time, appears to be a goal rather than a reachable reality.

But I do believe we can contribute mightily to urban improvement with this piece of legislation. I have, over the years, been attendant at the birth of more than one landmark housing act. I was never more persuaded than I am now of the absolute necessity of quick, positive action on this bill.

This bill is, of course, a conglomeration. It continues the tried and true. It entertains the new and different. I want now to comment on some of its major provisions.

Many voices are raised in the land about that well-worn phrase, the American dream. Thus, there are many conflicting versions of what the dream really is. But all these versions, I daresay, would agree that homeownership—and all that it connotes—is a vital part of the broad American ambition. This is an urge that is deep in our roots and our heritage. Too many Americans, though, lack the wherewithal to buy homes where they and their families can live in decency and well-being.

So, this bill carries a far-seeing provision which would enable the home-building industry to provide homes for almost one-half million families of low and moderate income over the next 3

years. Under this approach, when a family buys a home, the lender receives periodic payments covering the difference between 20 percent of the family's monthly income and the required monthly payment under a market interest rate mortgage for principal, interest, taxes, insurance, and mortgage insurance premium. The payment never exceeds the difference, however, between the mortgage payment for principal, interest, and mortgage insurance premium and the payment that would be required for principal and interest if the mortgage bore an interest rate of 1 percent.

Thus, there would be an open market for decent homeownership that never before has been truly tapped. This market comprises families in, generally, the $3,000 to $7,000 range of annual income. The benefit to these families is obvious. Equally as obvious is the profit accrual to the homebuilding industry when you contemplate the start of construction or rehabilitation of one-half million homes over a 3-year period.

As an aside, at this juncture, I should like to make a point about the role of private enterprise in the Government's housing and allied programs. There are those among us who, over the years, have viewed these programs as a melange of Federal control, Federal intervention, and Federal meddling. To the contrary, over those years, we have insisted that private enterprise be a prime participant in the great bulk of all these programs. And private enterprise, unequivocally, has played that role.

Back to the homeownership provision, it requires that the family's income be recertified at least every 2 years and the assistance payment be adjusted if warranted. Since the incomes tend, on the average, to rise, many assisted owners will eventually be able to tackle the full mortgage payment.

The mortgage limitation is $15,000 to $17,500 in higher cost areas. For larger families, these limits can go to $17,500 and $20,000, respectively.

Another great potential for homeownership for some low- and moderate-income families is the proposed special FHA mortgage insurance for people who cannot meet regular credit standards but are reasonably satisfactory credit risks. Many families run into credit problems which they manage to straighten out to the point where they become a decent credit gamble. Yet their past record sometimes penalizes them so severely that homeownership is not available to them. This would be, essentially, an experimental program. But it may well offer a new lease on life to families found deserving.

Still in the low- and moderate-income area, the bill would create a new program that, I am convinced, would be a boon to renting families in these brackets. It offers, in effect, the same advantages to renters and cooperators that the homeownership program offers to buyers. It would replace, eventually, the existing 221(d)(3) FHA below-market interest rate program and the 202 direct loan program for the elderly and handicapped. It would operate, through nonprofit sponsors, in much the same manner as the homeownership program. The tenants would pay 20 percent of their incomes toward the rent. The income levels and the authorization would be the same as I have recited for the homeownership program.

These two programs—ownership and rental—exemplify the sparkling vision preeminent throughout this bill. These innovations are well mitered, they are complementary to the degree that they open new vistas of progress not previously possible.

The oldest helping hand we have for low-income families is the public housing program. It has been much maligned in some quarters, though lately it has achieved more acceptance as a regular function of Government. Maligned or not, it has done a job. There are now in operation almost 700,000 units of public housing, with more than 50,000 either under construction or about to start. The Department of Housing and Urban Development has done much to move away from the institutional-seeming, barrack-type development. Aside from improving design, there is emphasis on leasing units from private owners along with smaller projects and individual units.

There is also the novel and dramatic "turnkey" concept. Under turnkey, private builders construct the housing on their own land and sell it to the local housing authority. Also under this program, private companies may manage low-rent housing projects. Another facet is the combination of private building and private management aimed at encouraging residents to become homeowners.

Together, turnkey and the leasing program have been a great success in that there has been a much larger production of low-rent housing units. To sustain this accelerated pace, and to encourage even more the great interest shown in the program by private industry, a substantial expansion of contract authority is necessary. The bill provides, therefore, for a 3-year authorization—$100 million on date of enactment, and $150 million in each of fiscal years 1970 and 1971.

Beyond providing shelter in public housing, there is a need to help residents improve their economic status and solve their social problems. Many of these families are victims of most difficult situations. The aid local housing authorities have been able to give them in this regard has been seriously hampered by a lack of funds. The bill, therefore, authorizes for these services up to $20 million in fiscal year 1969 and up to $40 million in fiscal 1970.

Another successful effort to aid low-income families is the rent supplement program. Private industry strongly backs this approach, which consists of privately built, owned and financed housing. It is a sturdy complement to the public housing program. It serves families in the same general income levels as public housing, but its flexibility lets the families continue to live in the housing as their incomes rise. The bill provides authorizations of $40 million for fiscal 1970 and $100 million for fiscal 1971.

There are other important features of this milestone legislation which will go far in providing the necessary decent housing for our low- and moderate-income people. Other members will discuss these provisions.

Mr. Chairman, this legislation must be supported. No longer can we sit placidly while millions of our citizens are living in housing which at anytime and in anyplace would be totally inadequate.

Mr. MATHIAS of Maryland. Mr. Chairman, the Housing and Urban Development Act of 1968 is one of the most important and far-reaching bills to come before this Congress. It is also one of the most massive and complex, with 14 titles, 280 pages of text, and a House committee report of 350 pages. While every individual may have questions or reservations about some particular sections of H.R. 17989, I believe that the great bulk of the bill and its thrust deserve the strongest possible support.

The broad objectives of this $5 billion measure:

To increase dramatically the nationwide supply of sound housing, particularly for families of low and moderate incomes;

To help families of very modest means toward ownership of their own homes;

To halt the physical decline of our cities and promote their rehabilitation, revitalization, and residential and commercial renewal;

To accelerate urban and rural growth by improving planning and facilities, such as water and sewer systems and mass transit;

To strengthen the national housing market, make funds and insurance for housing more readily available, and encourage nonprofit corporations, community groups and partnerships to expand their efforts to meet our housing needs.

H.R. 17989 reaffirms the basic national objective of "a decent home and a suitable living environment for every American family," a goal which was proclaimed in the Housing Act of 1949 but has eluded us so far. Despite all of our efforts, public and private, housing construction simply has not kept pace with population growth, migration into the cities, and the decline of older buildings in our central cities and rural areas. As a result, 20 million Americans—1 out of every 10—still live in substandard housing, which is unsafe, unhealthy, often overcrowded, and generally unfit. Simply to replace these substandard units with decent homes would require the construction or rehabilitation of 6 million units. To meet our total housing needs in the next decade would require no fewer than 26 million units.

This bill seeks to make those ambitious goals attainable. Its 14 titles propose improvements in nearly every one of our present major housing and urban development programs, and include several very imaginative and promising new approaches.

The most important new program in this bill is the direct result of Republican initiatives last year in recognizing the tremendous family and community benefits of homeownership and proposing, through the Percy-Widnall bills, a sensi-

ble way to extend these benefits to families of low and moderate incomes who could not otherwise afford mortgage and interest payments. This legislation, which I cosponsored last year, proposed to establish a National Homeownership Foundation and to tap private capital, private management and technical experience, and private, community-oriented initiative to help families purchase their own homes and gain a real stake in their communities.

The National Homeownership Foundation, the mortgage interest subsidy plan, and many financing provisions of H.R. 17989 are direct descendants of the Percy-Widnall proposal. They represent a major shift in the emphasis of our housing programs from perpetual tenantship toward the individual homeownership which should promote family stability, community pride, and a sense of individual achievement.

In summarizing this long and complicated measure, special notice should also be given to the provisions which seek to arrest urban decline by greatly improving and expanding housing rehabilitation programs and by establishing a special FHA high-risk insurance fund to make insured loans available in older neighborhoods which do not meet present FHA standards. The alternative method of urban renewal, called "neighborhood development," also contained in this bill is another progressive initiative which will enable communities to revitalize declining areas without having to suffer the massive wrecking, relocation, and rebuilding associated with too many "classic" urban renewal efforts.

One particularly urgent title of this bill is title X, which establishes a program of Federal reinsurance for private insurance companies to cover losses from riots and civil disorders, and would also require insurance companies and the States to establish statewide "fair access to insurance requirements plans"—FAIR plans—to assure all urban property owners fair access to property insurance.

As every businessman knows, adequate insurance coverage, at reasonable rates, is essential not only to economic growth, but to the very survival of commerce. The recent disorders in many American cities have placed such a strain on insurance companies that in every central city the cost of property insurance has soared. In many cities sufficient insurance cannot be obtained at any price. In Baltimore alone, for example, over 700 policies have been canceled in the past 3 months.

Federal reinsurance and State-supervised FAIR plans have thus become essential to rebuilding and restoring commercial vitality in those cities which have suffered from disorders. In all cities the availability of property insurance through this program should encourage business development, contribute to expanding job opportunities, and help to review those urban areas where business has grown stagnant and economic strength is dwindling.

In this connection I do regret that the House Committee did not see its way clear to endorse the Senate's provisions extending certain forms of disaster aid explicitly to the victims of major civil disorders. In my judgment, such a step would be appropriate and helpful, since a major disaster can be as damaging to a business or family as a hurricane or tornado, and is as far beyond the stricken individual's control. My bill, H.R. 11891, would have clarified the authority of the Small Business Administration and other agencies to extend disaster aid in riot areas. The Senate amendments have the same thrust, and I hope that those provisions will be considered carefully if this bill should be taken to conference.

In addition to the new directions in housing and urban development which I have outlined, this omnibus bill also contains sharply increased authorizations for water and sewer grants and for urban mass transportation, two vital programs which have not to date received the funding they should have. Demands for water and sewer funds in particular have greatly exceeded appropriations for several years.

Finally, I have noted with particular approval the statement of the House Committee urging the Secretary of Housing and Urban Development to renew and redouble his efforts to cut red-tape, standardize and coordinate programs, and drastically reduce the confusion and obscurity which now envelop too many HUD programs. I know that this appeal for sense and streamlined administration will be applauded by every State and local official in Maryland.

Mr. TAFT. Mr. Chairman, I support the great majority of the provisions of H.R. 17989, the Housing and Urban Development Act of 1968. It is more than obvious that there is a national concern and need for strengthening our housing programs that must not be denied. The American principle of equality of opportunity has been and continues to be in part denied by unsafe, dilapidated, and unhealthy housing. This is a situation that our people cannot and should not permit to continue. This bill is designed to cope with it in a number of ways.

One new aspect of the bill is particularly worthy of attention. This is the new National Homeownership Foundation concept. There is no need to repeat here the very eloquent review of the purposes and history of this departure as proposed by Senator CHARLES PERCY and outlined in the additional views of the ranking minority member of the committee, the gentleman from New Jersey [Mr. WIDNALL], on pages 352 through 356 of the report. I associate myself fully with those views, but would caution further that with the unexciting reception given such innovations within the Department of Housing and Urban Development, as exemplified by the lack of enthusiasm for the rent certificate program, the Congress, therefore, should continue to review the progress of the National Homeownership Foundation closely. Having introduced the National Homeownership Foundation bill earlier in this Congress in a form that included an approach to tapping the private capital market, I remain convinced that this can and should be done in the future.

Another new and vital feature of the bill is the national insurance development program to provide reinsurance of losses from riots and civil disorders. I know from many personal contacts in my own city of Cincinnati, how mandatory it is that such a program be initiated. Our mayor has recently set up a special committee to expedite steps necessary to secure such coverage, but local communities and private insurance companies cannot solve the problem alone. Not tomorrow, but for over a year, the unavailability of insurance for certain risks has held up progress and rebuilding of many businesses, but even more importantly, of new hopes and relationships necessary to solve the problems of disorder in our urban areas. The approach, using private industry, State participation and Federal assistance is a sound partnership.

Mr. DOLE. Mr. Chairman, the Housing and Urban Development Act of 1968, before the House today, is most complex and far reaching.

There are no easy decisions in considering an omnibus bill, incorporating literally hundreds of provisions affecting nearly every American.

I have sponsored legislation authorizing a National Homeownership Foundation. This Foundation, with a Federal charter, would assist low- and moderate-income families in acquirng a home of their own. I am pleased that significant portions of the original National Homeownershp Foundation plan are incorporated into this omnibus housing bill.

The Foundation—sponsored by 119 Members of the House—is a complex plan, but simply stated: It would provide credit at accessible rates to low- and moderate-income families who have shown the capacity to take on the responsibility of homeownership. This Foundation is directly opposed to the New Deal and Great Society concepts of renter-oriented public housing. We know how dismally public housing has failed to meet the challenge of assisting the low- and moderate-income family achieve security.

The National Homeownership Foundation endured a hostile review by the administration, in spite of the success of parallel programs in agriculture. Secretary Robert Weaver of the Department of Housing and Urban Development went so far as to say the Foundation was "economically impossible." I am pleased the committee has ignored this advice and reported the National Homeownership Foundation, with modifications, in title I of the omnibus housing bill.

NATIONAL FLOOD INSURANCE

Earlier in the 90th Congress, the House and Senate both passed versions of a national flood insurance program. The conferees have been unable to agree on a compromise—until now, it appeared national flood insurance was doomed for this year.

Fortunately, flood insurance is incorporated into this omnibus housing bill. This program was offered as an amendment in committee by the Republican leadership, adopted, and subsequently reported by the full committee.

I am particularly pleased by this development as a sponsor of flood insurance legislation in this Congress. My bill,

H.R. 3245, was introduced on January 23, 1967. Title XI of the bill under consideration today will incorporate the substance of the national flood insurance plan.

Various flood insurance proposals have been under consideration for 10 years. At last, it appears there is an opportunity for the Congress to agree on a program providing this essential protection to all Americans.

RIOT REINSURANCE PROGRAM

The Housing and Urban Development Act of 1968 provides for a Federal reinsurance program in riot-affected areas. This program was recommended by the President's National Advisory Panel on Insurance in Riot-Affected Areas, and provides the groundwork for rebuilding in riot-stricken cities.

Riots are the most regrettable development, domestically, of this administration. There are ways to deal with riots; there must be more emphasis on law and order in American society. But, once riots occur, insurance must be available to rebuild and reinsure the damaged structures. Clearly, it is not the business of insurance companies to protect citizens from riots. That is the business of government—State, local, and Federal. A Federal reinsurance program, almost unanimously supported by the members of the insurance and business communities, will help protect the Nation's cities from the debilitation of riot.

THE BILL IN BALANCE

Mr. Chairman, I have reservations on several provisions in this bill. The rent supplements program is expanded—I would prefer it eliminated. The model cities program is a classic example of overestimating and underdelivering. Some of the public housing provisions would be better eliminated in favor of more emphasis on the National Homeownership Foundation.

But, on balance, the bill has these merits:

The beginning of what can become a great breakthrough in housing; the National Homeownership Foundation;

National flood insurance program;

Federal reinsurance in riot-affected areas;

Increased assistance in providing housing for the elderly;

College housing provisions;

Mortgage insurance for hospitals;

Authorization for the Farmers Home Administration to provide direct and insured loans for better rural housing.

Liberalized FHA financing; and a great deal more.

Clearly, there can be improvements in a bill of such scope and penetration. I intend to vote for this bill for I believe the Nation desperately needs much that is in it.

Mr. PRICE of Illinois. Mr. Chairman, I suppose it is only natural that in the debate on the Housing and Urban Development Act of 1968 the press coverage and the speeches by Members of the House should emphasize the exciting new programs, proposed by President Johnson in his message on "The Crisis of the Cities" and reported favorably by the Banking and Currency Committee, to house low and moderate income Americans. I can appreciate that emphasis and I support these programs, too. There is no question that the construction of standard housing has been falling farther and farther behind the need which is created by new family formation and the deterioration of existing housing.

However, in our enthusiasm for new programs, I hope we will not forget the great promise that is embodied in the model cities program. This program which is not yet 2 years old is, to my way of thinking, even more exciting than programs designed to substantially increase the volume of housing. I say this because model cities is more than just a housing program. It is a people program. It is aimed not just at doing something about the problem of substandard houses but at doing something about the problems of substandard jobs, substandard incomes, substandard health, substandard local government.

The "urban problem" in both our big cities and our small towns is patently more than just a problem of housing—as important as that admittedly is. Unless something is done to upgrade the quality of the lives of the people who occupy that housing, unless something is done to upgrade the services to that housing, we are going to be disappointed that the building of the housing has an inadequate impact.

The model cities program is the only program authorized in this bill which provides a comprehensive total attack approach.

I am informed that 75 cities which have been selected for planning grants are now in various stages of planning. They will complete their comprehensive model cities plans this summer, fall, and winter. Upon successful completion of their plans they are immediately eligible for program grants to go into their first action year. These grants to the 75 first-round cities for their first action year will come from $200 million already appropriated plus $200 to $300 million from fiscal year 1969 appropriations which have passed the House and are currently in committee in the other body.

Now, in addition to this first round of 75 cities there are 164 cities which have made applications for inclusion in the second round. From these 164 applicants another 75 or so will be selected and announced some time this summer. This second 75 will immediately go into planning and be ready for program grants next spring and summer. The balance of the fiscal year 1969 model cities appropriation will be used to get some of them started on their first action year.

When fiscal year 1970 arrives—the year to which this authorization applies—there will be 150 cities eligible for model cities program grants. A billion dollars sounds like a lot of money—and is—but divide it 150 ways and suddenly it appears meager beside the kinds of problems our cities are facing.

A billion dollars stretched 150 ways will not really go very far, in and of itself, to solve the problems of our towns and cities. But I would stress, Mr. Chairman, that it is a critical 1 billion dollars. This money is critical to the coordinated comprehensive total attack approach that is unique to the model cities program. This money is the catalyst to get other things moving and to bringing about institutional reform. This money is the cement that will bind other component programs together. This money is the plaster that will fill in the cracks between other programs and allow local innovation.

I am so convinced of the validity of the model cities approach, Mr. Chairman, that I could not allow the debate on the Housing and Urban Development Act of 1968 to conclude without calling attention to the fact that it provides for the continuance of the model cities program.

The CHAIRMAN. Under the rule, the Committee rises.

Accordingly the Committee rose; and the Speaker having resumed the chair, Mr. PRICE of Illinois, Chairman of the Committee of the Whole House on the State of the Union, reported that that Committee, having had under consideration the bill (H.R. 17989) to assist in the provision of housing for low- and moderate-income families, and to extend and amend laws relating to housing and urban development, pursuant to House Resolution 1238, he reported the bill back to the House with sundry amendments adopted by the Committee of the Whole.

The SPEAKER. Under the rule, the previous question is ordered.

Is a separate vote demanded on any amendment?

Mr. GERALD R. FORD. Mr. Speaker, I demand a separate vote on the two Anderson of Illinois amendments, but at the same time, I ask unanimous consent, because of the similarity of the two amendments, that they be combined and a separate vote be taken on the combined Anderson of Illinois amendments.

Mr. PATMAN. Mr. Speaker, we object to that, because different Members are supporting different amendments.

The SPEAKER. Objection is heard.

Mr. GERALD R. FORD. Mr. Speaker, I renew my demand for a separate vote on each of the Anderson of Illinois amendments.

The SPEAKER. The gentleman from Michigan demands a separate vote on each of the two so-called Anderson of Illinois amendments.

Is a separate vote demanded on any other amendment?

Mr. BINGHAM. Mr. Speaker, I demand a separate vote on the second Brock amendment, the amendment to page 56 of the bill.

The SPEAKER. Is a separate vote demanded on any other amendment? If not, the Chair will put them en gros.

The amendments were agreed to.

The SPEAKER. The Clerk will report the first amendment on which a separate vote has been demanded.

The Clerk read as follows:

On page 17, following line 3 add a new subsection (1) as follows:

"(1) Notwithstanding any other provision of this section, no assistance payments authorized to be contracted under this section shall be made on behalf of any family whose income exceeds 130 per centum of the maximum income limits which can be established in the area, pursuant to the limitations prescribed in sections 2(2) and 15(7)(b)(ii) of the United States Housing

Act of 1937, for occupancy in public housing dwellings."

The SPEAKER. The question is on the amendment.

Mr. GERALD R. FORD. Mr. Speaker, on that I demand the yeas and nays.

The yeas and nays were ordered.

The question was taken; and there were—yeas 271, nays 137, not voting 25, as follows:

[Roll No. 238]

YEAS—271

Abbitt	Ford, Gerald R.	Morton
Abernethy	Fountain	Mosher
Adair	Frelinghuysen	Myers
Anderson, Ill.	Fulton, Pa.	Natcher
Andrews, Ala.	Fuqua	Nichols
Andrews, N. Dak.	Gathings	O'Konski
	Gettys	O'Neal, Ga.
Arends	Giaimo	Passman
Ashbrook	Gibbons	Pelly
Ashmore	Goodell	Pettis
Aspinall	Goodling	Pike
Ayres	Green, Oreg.	Pirnie
Baring	Gross	Poage
Bates	Grover	Poff
Battin	Gubser	Pollock
Belcher	Gurney	Pool
Bennett	Hagan	Price, Tex.
Berry	Haley	Pucinski
Betts	Hall	Purcell
Bevill	Hamilton	Quie
Biester	Hammer-schmidt	Quillen
Blackburn		Railsback
Boland	Hanley	Randall
Bolton	Hardy	Rarick
Bow	Harrison	Reid, Ill.
Bray	Harsha	Reifel
Brinkley	Harvey	Reinecke
Brock	Hays	Rhodes, Ariz.
Broomfield	Hébert	Riegle
Brotzman	Henderson	Rivers
Brown, Mich.	Herlong	Roberts
Brown, Ohio	Hicks	Robison
Broyhill, N.C.	Hosmer	Rogers, Fla.
Broyhill, Va.	Hull	Roth
Buchanan	Hunt	Roudebush
Burke, Fla.	Hutchinson	Roush
Burleson	Ichord	Rumsfeld
Burton, Utah	Jarman	Ruppe
Bush	Johnson, Pa.	Sandman
Byrnes, Wis.	Jonas	Satterfield
Cabell	Jones, Ala.	Saylor
Cahill	Jones, Mo.	Schadeberg
Carter	Jones, N.C.	Scherle
Casey	Karth	Schneebeli
Chamberlain	Kazen	Schwengel
Clancy	Keith	Scott
Clausen, Don H.	King, N.Y.	Selden
	Kleppe	Shriver
Clawson, Del	Kornegay	Skubitz
Cleveland	Kuykendall	Slack
Collier	Kyl	Smith, Calif.
Colmer	Laird	Smith, Iowa
Conable	Landrum	Smith, N.Y.
Conte	Langen	Smith, Okla.
Corbett	Latta	Snyder
Cowger	Leggett	Springer
Cramer	Lennon	Stafford
Culver	Lipscomb	Stanton
Cunningham	Lloyd	Steed
Curtis	Long, La.	Steiger, Ariz.
Davis, Ga.	Long, Md.	Steiger, Wis.
Davis, Wis.	Lukens	Stephens
de la Garza	McClory	Stratton
Dellenback	McCloskey	Stubblefield
Denney	McClure	Stuckey
Derwinski	McCulloch	Taft
Devine	McDade	Talcott
Dickinson	McDonald, Mich.	Taylor
Dole		Teague, Calif.
Dorn	McEwen	Teague, Tex.
Dowdy	Machen	Thompson, Ga.
Downing	Mahon	Thomson, Wis.
Duncan	Mailliard	Tuck
Dwyer	Marsh	Utt
Edmondson	Martin	Vander Jagt
Edwards, Ala.	Mathias, Calif.	Vanik
Edwards, La.	Mathias, Md.	Vigorito
Erlenborn	May	Wampler
Esch	Mayne	Watkins
Eshleman	Meskill	Watson
Evans, Colo.	Michel	Watts
Fallon	Miller, Ohio	Whalley
Fascell	Mills	White
Findley	Minshall	Whitener
Fino	Mize	Whitten
Fisher	Monagan	Widnall
Flynt	Montgomery	Wiggins
Foley	Morse, Mass.	Williams, Pa.
Wilson, Bob	Wydler	Young
Winn	Wylie	Zion
Wright	Wyman	Zwach
Wyatt	Yates	

NAYS—137

Adams	Garmatz	O'Hara, Mich.
Addabbo	Gilbert	Olsen
Albert	Gonzalez	O'Neill, Mass.
Annunzio	Gray	Ottinger
Ashley	Green, Pa.	Patman
Barrett	Griffin	Patten
Bingham	Griffiths	Pepper
Blanton	Gude	Perkins
Blatnik	Halpern	Philbin
Boggs	Hanna	Podell
Bolling	Hansen, Wash.	Price, Ill.
Brasco	Hathaway	Pryor
Brooks	Hechler, W. Va.	Rees
Brown, Calif.	Helstoski	Reid, N.Y.
Burke, Mass.	Holifield	Reuss
Burton, Calif.	Horton	Rhodes, Pa.
Button	Howard	Rodino
Byrne, Pa.	Hungate	Rogers, Colo.
Carey	Irwin	Ronan
Celler	Jacobs	Rooney, N.Y.
Clark	Joelson	Rooney, Pa.
Cohelan	Johnson, Calif.	Rosenthal
Conyers	Kastenmeier	Rostenkowski
Corman	Kee	Roybal
Daddario	Kelly	Ryan
Daniels	Kirwan	St Germain
Dawson	Kluczynski	St. Onge
Delaney	Kupferman	Scheuer
Dent	Kyros	Schweiker
Diggs	McFall	Shipley
Donohue	Macdonald, Mass.	Sikes
Dow		Sisk
Dulski	Madden	Staggers
Eckhardt	Matsunaga	Sullivan
Edwards, Calif.	Meeds	Tenzer
Eilberg	Miller, Calif.	Thompson, N.J.
Everett	Minish	Tiernan
Farbstein	Mink	Udall
Feighan	Moorhead	Ullman
Flood	Morgan	Waldie
Ford, William D.	Morris, N. Mex.	Walker
	Moss	Whalen
Fraser	Murphy, Ill.	Wilson, Charles H.
Friedel	Murphy, N.Y.	
Fulton, Tenn.	Nedzi	Wolff
Galifianakis	Nix	Zablocki
Gallagher	O'Hara, Ill.	

NOT VOTING—25

Anderson, Tenn.	Hansen, Idaho	Moore
	Hawkins	Nelsen
Bell	Heckler, Mass.	Pickle
Brademas	Holland	Resnick
Cederberg	Karsten	Tunney
Dingell	King, Calif.	Van Deerlin
Evins, Tenn.	McCarthy	Waggonner
Gardner	McMillan	Willis
Halleck	MacGregor	

So the amendment was agreed to.

The Clerk announced the following pairs:

On this vote:

Mr. Evins of Tennessee for, with Mr. Dingell against.

Mr. McMillan for, with Mr. Brademas against.

Mr. Gardner for, with Mr. King of California against.

Mr. Nelsen for, with Mr. Hawkins against.

Mr. MacGregor for, with Mr. Willis against.

Mr. Hansen of Idaho for, with Mr. Tunney against.

Until further notice:

Mr. Anderson of Tennessee with Mr. Bell.

Mr. Holland with Mr. Halleck.

Mr. Van Deerlin with Mrs. Heckler of Massachusetts.

Mr. McCarthy with Mr. Cederberg.

Mr. Waggonner with Mr. Moore.

Mr. Pickle with Mr. Resnick.

Mr. MACHEN and Mr. SLACK changed their votes from "nay" to "yea."

The result of the vote was announced as above recorded.

The SPEAKER pro tempore (Mr. ALBERT). The Clerk will report the so-called Brock amendment, on which a separate vote has been demanded.

The Clerk read as follows:

On page 56, line 21, strike out "20 per centum" and insert "25 per centum."

Mr. GERALD R. FORD (during the reading). Mr. Speaker, I ask unanimous consent that the amendment be considered as read and printed in the RECORD.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Michigan?

There was no objection.

The SPEAKER pro tempore. The question is on the amendment.

The question was taken; and on a division (demanded by Mr. GERALD R. FORD) there were—ayes 217, noes 112.

So the amendment was agreed to.

The SPEAKER pro tempore. The Clerk will report the so-called Anderson of Illinois amendment, on which a separate vote has been demanded.

The Clerk read as follows:

On page 61, following line 22 add a new subsection (m) as follows:

"(m) Notwithstanding any other provision of this section, no interest reduction payments authorized to be contracted under this section shall be made with respect to families, occupying rental housing projects insured under this section, whose incomes at the time of the initial renting to the projects are in excess of 130 per centum of the maximum income limits which can be established in the area, pursuant to the limitations prescribed in sections 2(2) and 15(7)(b)(ii) of the United States Housing Act of 1937, for occupancy in public housing dwellings."

Mr. GERALD R. FORD (during the reading). Mr. Speaker, I ask unanimous consent that the second Anderson of Illinois amendment be considered as read and printed in the RECORD.

Mr. HAYS. Mr. Speaker, reserving the right to object, will someone just explain briefly what it is.

Mr. ANDERSON of Illinois. Mr. Speaker, if the gentleman will yield, this is applying the same income test of 130 percent of public housing standards for the program under section 236, the rental and cooperative housing program.

Mr. HAYS. Mr. Speaker, I thank the gentleman.

Mr. Speaker, I withdraw my reservation of objection.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Michigan?

There was no objection.

The SPEAKER pro tempore. The question is on the amendment.

The amendment was agreed to.

The SPEAKER pro tempore. The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed and read a third time, and was read the third time.

MOTION TO RECOMMIT

Mr. BROCK. Mr. Speaker, I offer a motion to recommit.

The SPEAKER pro tempore. Is the gentleman opposed to the bill?

Mr. BROCK. I am, Mr. Speaker.

The SPEAKER pro tempore. The Clerk will report the motion to recommit.

The Clerk read as follows:

Mr. BROCK moves to recommit the bill (H.R. 17989) to the Committee on Banking and Currency, with instructions to report the

same back to the House forthwith with the following amendments: On page 66, strike all of lines 16 through 23, and on page 67, strike all of lines 1 through 22, and renumber the succeeding sections accordingly.

And,

Strike out section 412 (beginning on page 105, line 7, and ending on page 107, line 2).

And renumber the succeeding sections accordingly.

The SPEAKER pro tempore. Without objection, the previous question is ordered on the motion to recommit.

There was no objection.

The SPEAKER pro tempore. The question is on the motion to recommit.

Mr. GERALD R. FORD. Mr. Speaker, on that I demand the yeas and nays.

The yeas and nays were ordered.

The question was taken; and there were—yeas 217, nays 193, not voting 23, as follows:

[Roll No. 239]

YEAS—217

Abbitt	Fuqua	Pelly
Abernethy	Galifianakis	Pettis
Adair	Gathings	Pirnie
Anderson, Ill.	Gettys	Poage
Andrews, Ala.	Gibbons	Poff
Andrews, N. Dak.	Goodell	Pollock
	Goodling	Pool
Arends	Griffin	Price, Tex.
Ashbrook	Gross	Purcell
Ashmore	Grover	Quie
Baring	Gubser	Quillen
Bates	Gurney	Railsback
Battin	Hagan	Randall
Belcher	Haley	Rarick
Bennett	Hall	Reid, Ill.
Berry	Hamilton	Reifel
Betts	Hammer-schmidt	Reinecke
Bevill		Rhodes, Ariz.
Biester	Hardy	Rivers
Blackburn	Harrison	Roberts
Bolton	Harsha	Robison
Bow	Harvey	Rogers, Fla.
Bray	Hébert	Roth
Brinkley	Henderson	Roudebush
Brock	Herlong	Rumsfeld
Broomfield	Hosmer	Ruppe
Brotzman	Hull	Sandman
Brown, Ohio	Hunt	Satterfield
Broyhill, N.C.	Hutchinson	Saylor
Broyhill, Va.	Ichord	Schadeberg
Buchanan	Jarman	Scherle
Burke, Fla.	Johnson, Pa.	Schneebeli
Burleson	Jonas	Schwengel
Burton, Utah	Jones, Mo.	Scott
Bush	Jones, N.C.	Selden
Byrnes, Wis.	Keith	Shriver
Cabell	King, N.Y.	Skubitz
Cahill	Kleppe	Smith, Calif.
Carter	Kornegay	Smith, N.Y.
Casey	Kuykendall	Smith, Okla.
Chamberlain	Kyl	Snyder
Clancy	Laird	Springer
Clausen, Don H.	Landrum	Steiger, Ariz.
	Langen	Steiger, Wis.
Clawson, Del	Latta	Stratton
Cleveland	Lennon	Stuckey
Collier	Lipscomb	Talcott
Colmer	Lloyd	Taylor
Conable	Long, La.	Teague, Calif.
Cowger	Lukens	Teague, Tex.
Cramer	McClory	Thompson, Ga.
Cunningham	McCloskey	Thomson, Wis.
Curtis	McClure	Tuck
Davis, Wis.	McDonald, Mich.	Utt
Dellenback		Vander Jagt
Denney	Mahon	Wampler
Derwinski	Mailliard	Watkins
Devine	Marsh	Watson
Dickinson	Martin	Watts
Dole	Mathias, Calif.	Whalley
Dorn	May	White
Dowdy	Mayne	Whitener
Downing	Meskill	Whitten
Duncan	Michel	Wiggins
Edwards, Ala.	Miller, Ohio	Williams, Pa.
Erlenborn	Mills	Wilson, Bob
Eshleman	Mize	Winn
Findley	Montgomery	Wyatt
Fino	Morton	Wydler
Fisher	Myers	Wylie
Flynt	Nichols	Wyman
Ford, Gerald R.	O'Konski	Zion
Fountain	O'Neal, Ga.	Zwach
Frelinghuysen	Passman	

NAYS—193

Adams	Gilbert	Olsen
Addabbo	Gonzalez	O'Neill, Mass.
Albert	Gray	Ottinger
Annunzio	Green, Oreg.	Patman
Ashley	Green, Pa.	Patten
Aspinall	Griffiths	Pepper
Ayres	Gude	Perkins
Barrett	Halpern	Philbin
Bingham	Hanley	Pike
Blanton	Hanna	Podell
Blatnik	Hansen, Wash.	Price, Ill.
Boggs	Hathaway	Pryor
Boland	Hays	Pucinski
Bolling	Hechler, W. Va.	Rees
Brasco	Heckler, Mass.	Reid, N.Y.
Brooks	Helstoski	Reuss
Brown, Calif.	Hicks	Rhodes, Pa.
Brown, Mich.	Holifield	Riegle
Burke, Mass.	Horton	Rodino
Burton, Calif.	Howard	Rogers, Colo.
Button	Hungate	Ronan
Byrne, Pa.	Irwin	Rooney, N.Y.
Carey	Jacobs	Rooney, Pa.
Celler	Joelson	Rosenthal
Clark	Johnson, Calif.	Rostenkowski
Cohelan	Jones, Ala.	Roush
Conte	Karth	Roybal
Conyers	Kastenmeier	Ryan
Corbett	Kazen	St Germain
Corman	Kee	St. Onge
Culver	Kelly	Scheuer
Daddario	Kirwan	Schweiker
Daniels	Kluczynski	Shipley
Davis, Ga.	Kupferman	Sikes
Dawson	Kyros	Sisk
de la Garza	Leggett	Slack
Delaney	Long, Md.	Smith, Iowa
Dent	McCarthy	Stafford
Diggs	McCulloch	Staggers
Donohue	McDade	Stanton
Dow	McFall	Steed
Dulski	Macdonald, Mass.	Stephens
Dwyer		Stubblefield
Eckhardt	Machen	Sullivan
Edmondson	Madden	Taft
Edwards, Calif.	Mathias, Md.	Tenzer
Edwards, La.	Matsunaga	Thompson, N.J.
Eilberg	Meeds	Tiernan
Esch	Miller, Calif.	Tunney
Evans, Colo.	Minish	Udall
Everett	Mink	Ullman
Fallon	Minshall	Vanik
Farbstein	Monagan	Vigorito
Fascell	Moorhead	Waldie
Feighan	Morgan	Walker
Flood	Morris, N. Mex.	Whalen
Foley	Morse, Mass.	Widnall
Ford, William D.	Mosher	Wilson, Charles H.
	Moss	
Fraser	Murphy, Ill.	Wolff
Friedel	Murphy, N.Y.	Wright
Fulton, Pa.	Natcher	Yates
Fulton, Tenn.	Nedzi	Young
Gallagher	Nix	Zablocki
Garmatz	O'Hara, Ill.	
Giaimo	O'Hara, Mich.	

NOT VOTING—23

Anderson, Tenn.	Halleck	MacGregor
	Hansen, Idaho	Moore
Bell	Hawkins	Nelson
Brademas	Holland	Pickle
Cederberg	Karsten	Resnick
Dingell	King, Calif.	Van Deerlin
Evins, Tenn.	McEwen	Waggonner
Gardner	McMillan	Willis

So the motion to recommit was agreed to.

The Clerk announced the following pairs:

On this vote:

Mr. MacGregor for, with Mr. Evins of Tennessee against.

Mr. Gardner for, with Mr. Dingell against.

Mr. McMillan for, with Mr. Brademas against.

Mr. McEwen for, with Mr. Anderson of Tennessee against.

Mr. Nelsen for, with Mr. Hawkins against.

Until further notice:

Mr. King of California with Mr. Halleck.

Mr. Waggonner with Mr. Hansen of Idaho.

Mr. Willis with Mr. Cederberg.

Mr. Van Deerlin with Mr. Bell.

Mr. Pickle with Mr. Moore.

Mr. Resnick with Mr. Holland.

Mr. WIDNALL changed his vote from "yea" to "nay."

Mr. MINSHALL changed his vote from "yea" to "nay."

The result of the vote was announced as above recorded.

Mr. PATMAN. Mr. Speaker, pursuant to the instructions of the House in the motion to recommit, I report back the bill H.R. 17989 with amendments.

The SPEAKER pro tempore. The Clerk will report the amendments.

The Clerk read as follows:

On page 66, strike all of lines 16 through 23, and on page 67, strike all of lines 1 through 22, and renumber the succeeding sections accordingly.

And,

Strike out section 412 (beginning on page 105, line 7, and ending on page 107, line 2).

And renumber the succeeding sections accordingly.

The SPEAKER pro tempore. The question is on the amendments.

The amendments were agreed to.

The SPEAKER pro tempore. The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed and read a third time, and was read the third time.

The SPEAKER pro tempore. The question is on the passage of the bill.

The PATMAN. Mr. Speaker, on that I demand the yeas and nays.

The yeas and nays were ordered.

The question was taken; and there were—yeas 295, nays 114, answered "present" 1, not voting 23, as follows:

[Roll No. 240]

YEAS—295

Adair	Corbett	Gilbert
Adams	Corman	Gonzalez
Addabbo	Cowger	Goodell
Albert	Culver	Gray
Anderson, Ill.	Cunningham	Green, Oreg.
Andrews, N. Dak.	Daddario	Green, Pa.
	Daniels	Griffin
Annunzio	Davis, Ga.	Griffiths
Ashley	Dawson	Grover
Aspinall	de la Garza	Gubser
Ayres	Delaney	Gude
Barrett	Dellenback	Halpern
Bates	Dent	Hamilton
Bevill	Diggs	Hanley
Biester	Dole	Hanna
Bingham	Donohue	Hansen, Wash.
Blackburn	Dow	Hardy
Blanton	Downing	Harrison
Blatnik	Dulski	Harvey
Boggs	Duncan	Hathaway
Boland	Dwyer	Hays
Bolling	Eckhardt	Hébert
Bolton	Edmondson	Hechler, W. Va.
Bow	Edwards, Calif.	Heckler, Mass.
Brasco	Edwards, La.	Helstoski
Brooks	Eilberg	Hicks
Broomfield	Esch	Holifield
Brotzman	Evans, Colo.	Horton
Brown, Calif.	Everett	Hosmer
Brown, Mich.	Fallon	Howard
Brown, Ohio	Farbstein	Hull
Broyhill, Va.	Fascell	Hungate
Burke, Mass.	Feighan	Hunt
Burton, Calif.	Findley	Ichord
Burton, Utah	Fino	Irwin
Bush	Flood	Jacobs
Button	Foley	Joelson
Byrne, Pa.	Ford, Gerald R.	Johnson, Calif.
Cahill	Ford, William D.	Jones, Ala.
Carey		Karth
Casey	Fraser	Kastenmeier
Celler	Frelinghuysen	Kazen
Chamberlain	Friedel	Kee
Clark	Fulton, Pa.	Keith
Clausen, Don H.	Fulton, Tenn.	Kelly
	Fuqua	King, N.Y.
Cleveland	Galifianakis	Kirwan
Cohelan	Gallagher	Kluczynski
Conable	Garmatz	Kupferman
Conte	Giaimo	Kuykendall
Conyers	Gibbons	Kyros

Latta	Patten	Slack
Leggett	Pelly	Smith, Iowa
Lloyd	Pepper	Smith, N.Y.
Long, Md.	Perkins	Springer
McCarthy	Pettis	Stafford
McClory	Philbin	Staggers
McCloskey	Pike	Stanton
McCulloch	Pirnie	Steed
McDade	Podell	Steiger, Wis.
McDonald, Mich.	Pollock	Stephens
	Price, Ill.	Stratton
McFall	Pryor	Stubblefield
Macdonald, Mass.	Pucinski	Sullivan
	Quie	Taft
Machen	Quillen	Talcott
Madden	Railsback	Taylor
Mailliard	Randall	Tenzer
Mathias, Calif.	Rees	Thompson, Ga.
Mathias, Md.	Reid, N.Y.	Thompson, N.J.
Matsunaga	Reifel	Tiernan
May	Reuss	Tunney
Meeds	Rhodes, Pa.	Udall
Meskill	Riegle	Ullman
Michel	Robison	Vander Jagt
Miller, Calif.	Rodino	Vanik
Minish	Rogers, Colo.	Vigorito
Mink	Ronan	Waldie
Minshall	Rooney, N.Y.	Walker
Mize	Rooney, Pa.	Wampler
Monagan	Rosenthal	Watkins
Moorhead	Rostenkowski	Watts
Morgan	Roth	Whalen
Morris, N. Mex.	Roush	White
Morse, Mass.	Roybal	Widnall
Morton	Rumsfeld	Williams, Pa.
Mosher	Ruppe	Wilson, Charles H.
Moss	Ryan	
Murphy, Ill.	St Germain	Winn
Murphy, N.Y.	St. Onge	Wolff
Myers	Sandman	Wright
Natcher	Saylor	Wyatt
Nedzi	Schadeberg	Wydler
Nix	Scheuer	Wylie
O'Hara, Ill.	Schweiker	Wyman
O'Hara, Mich.	Schwengel	Yates
O'Konski	Shipley	Young
Olsen	Shriver	Zablocki
O'Neill, Mass.	Sikes	Zwach
Ottinger	Sisk	
Patman	Skubitz	

NAYS—114

Abbitt	Flynt	Nichols
Abernethy	Fountain	O'Neal, Ga.
Andrews, Ala.	Gathings	Passman
Arends	Gettys	Poff
Ashbrook	Goodling	Pool
Ashmore	Gross	Price, Tex.
Baring	Gurney	Purcell
Battin	Hagan	Rarick
Belcher	Haley	Reid, Ill.
Bennett	Hall	Reinecke
Berry	Hammer-schmidt	Rhodes, Ariz.
Betts		Rivers
Bray	Harsha	Roberts
Brinkley	Henderson	Rogers, Fla.
Brock	Herlong	Roudebush
Broyhill, N.C.	Hutchinson	Satterfield
Buchanan	Jarman	Scherle
Burke, Fla.	Johnson, Pa.	Schneebeli
Burleson	Jonas	Scott
Byrnes, Wis.	Jones, Mo.	Selden
Cabell	Jones, N.C.	Smith, Calif.
Carter	Kleppe	Smith, Okla.
Clancy	Kornegay	Snyder
Clawson, Del	Kyl	Steiger, Ariz.
Collier	Laird	Stuckey
Colmer	Landrum	Teague, Calif.
Cramer	Langen	Teague, Tex.
Curtis	Lennon	Thomson, Wis.
Davis, Wis.	Lipscomb	Tuck
Denney	Long, La.	Utt
Derwinski	Lukens	Watson
Devine	McClure	Whalley
Dickinson	Mahon	Whitener
Dorn	Marsh	Whitten
Dowdy	Martin	Wiggins
Edwards, Ala.	Mayne	Wilson, Bob
Erlenborn	Miller, Ohio	Zion
Eshleman	Mills	
Fisher	Montgomery	

ANSWERED "PRESENT"—1

Poage

NOT VOTING—23

Anderson, Tenn.	Halleck	MacGregor
	Hansen, Idaho	Moore
Bell	Hawkins	Nelsen
Brademas	Holland	Pickle
Cederberg	Karsten	Resnick
Dingell	King, Calif.	Van Deerlin
Evins, Tenn.	McEwen	Waggonner
Gardner	McMillan	Willis

So the bill was passed.

The Clerk announced the following pairs:

On this vote:

Mr. MacGregor for, with Mr. McEwen against.

Mr. Pickle for, with Mr. Poage against.

Until further notice:

Mr. Evins of Tennessee with Mr. Halleck.
Mr. Dingell with Mr. Nelsen.
Mr. Brademas with Mr. Cederberg.
Mr. Anderson of Tennessee with Mr. Bell.
Mr. Hawkins with Mr. Moore.
Mr. King of California with Mr. Gardner.
Mr. Waggonner with Mr. Hansen of Idaho.
Mr. Willis with Mr. Van Deerlin.
Mr. Holland with Mr. Resnick.
Mr. McMillan with Mr. Karsten.

Mr. SCHADEBERG changed his vote from "nay" to "yea."

Mr. POAGE. Mr. Speaker, I have a live pair with the gentleman from Texas [Mr. PICKLE]. If he had been present, he would have voted "yea." I voted "nay." I withdraw my vote and vote "present."

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

The SPEAKER. Pursuant to the provisions of House Resolution 1238, the Committee on Banking and Currency is discharged from the further consideration of the bill S. 3497.

The Clerk read the title of the Senate bill.

MOTION OFFERED BY MR. PATMAN

Mr. PATMAN. Mr. Speaker, I offer a motion.

The Clerk read as follows:

Motion offered by Mr. PATMAN: Strike out all after the enacting clause of S. 3497 and insert in lieu thereof the provisions of the bill H.R. 17989, as passed, as follows:

That this Act may be cited as the "Housing and Urban Development Act of 1968".

DECLARATION OF POLICY

SEC. 2. The Congress affirms the national goal, as set forth in section 2 of the Housing Act of 1949, of "a decent home and a suitable living environment for every American family".

The Congress finds that this goal has not been fully realized for many of the Nation's lower income families; that this is a matter of grave national concern; and that there exist in the public and private sectors of the economy the resources and capabilities necessary to the full realization of this goal.

The Congress declares that in the administration of those housing programs authorized by this Act which are designed to assist families with incomes so low that they could not otherwise decently house themselves, and of other Government programs designed to assist in the provision of housing for such families, the highest priority and emphasis should be given to meeting the housing needs of those families for which the national goal has not become a reality; and in the carrying out of such programs there should be the fullest practicable utilization of the resources and capabilities of private enterprise and of individual self-help techniques.

JOBS IN HOUSING; EMPLOYMENT OPPORTUNITIES FOR LOWER INCOME PERSONS IN CONNECTION WITH ASSISTED PROJECTS

SEC. 3. In the administration of the programs authorized by sections 235 and 236 of the National Housing Act, the below-market interest rate program under section 221(d)(3) of such Act, the low-rent public housing program under the United States Housing Act of 1937, and the rent supplement program under section 101 of the Housing and Urban Development Act of 1965, the Secretary of Housing and Urban Development shall require that, to the greatest extent feasible, opportunities for employment arising in connection with the construction or rehabilitation of projects assisted under such programs be given to lower income persons residing in the area of such projects.

IMPROVED ARCHITECTURAL DESIGN IN GOVERNMENT HOUSING PROGRAMS

SEC. 4. The Congress finds that Federal aids to housing have not contributed fully to improvement in architectural standards. This objective has been contemplated in Federal housing legislation since the establishment of mortgage insurance through the Federal Housing Administration.

The Congress commends the Department of Housing and Urban Development for its recent efforts to improve architectural standards through competitive design awards and in other ways but at the same time recognizes that this important objective requires high priority if Federal aid is to make its full communitywide contribution toward improving our urban environment.

The Congress further finds that even within the necessary budget limitations on housing for low and moderate income families architectural design could be improved not only to make the housing more attractive but to make it better suited to the needs of occupants.

The Congress declares that in the administration of housing programs which assist in the provision of housing for low and moderate income families, emphasis should be given to encouraging good design as an essential component of such housing and to developing housing which will be of such quality as to reflect its important relationship to the architectural standards of the neighborhood and community in which it is situated, consistent with prudent budgeting.

ANNUAL REPORT ON AREAS OF PROGRAM ADMINISTRATION AND MANAGEMENT WHICH REQUIRE IMPROVEMENT

SEC. 5. The Secretary shall, as soon as practicable in each calendar year and beginning with an interim report no later than January 15, 1969, make a report to the respective Committees on Banking and Currency of the House of Representatives and the Senate identifying specific areas of program administration and management which require improvement, describing actions taken and proposed for the purpose of making such improvements, and recommending such legislation as may be necessary to accomplish such improvements. Each report shall include, but not be limited to, the following areas of program administration and management: uniformity and standardization in program requirements, simplification of program procedures, ways and means of expediting consideration of proposed projects and applications for assistance, the provision of more useful and specific assistance to communities, organizations and individuals seeking to utilize the Department's programs, and ways and means of combining or otherwise adapting the Department's programs to increase their usefulness in meeting the individual needs of applicants.

TITLE I—LOW AND MODERATE INCOME HOUSING

HOMEOWNERSHIP FOR LOW AND MODERATE INCOME FAMILIES

SEC. 101. (a) Title II of the National Housing Act is amended by adding at the end thereof the following new section:

"HOMEOWNERSHIP FOR LOW AND MODERATE INCOME FAMILIES

"SEC. 235. (a) For the purpose of assisting low and moderate income families in ac-

quiring homeownership or in acquiring membership in a cooperative association operating a housing project, the Secretary is authorized to make, and to contract to make, periodic assistance payments on behalf of such homeowners and cooperative members. The assistance shall be accomplished through payments to mortgagees holding mortgages meeting the special requirements specified in this section.

"(b) To qualify for assistance payments, the homeowner or the cooperative member shall be of low or moderate income and satisfy eligibility requirements prescribed by the Secretary, and—

"(1) the homeowner shall be a mortgagor under a mortgage which meets the requirements of and is insured under subsection (i) or (j) (4) of this section: *Provided,* That a mortgage meeting the requirements of subsection (i) (3) (A) of this section but insured under section 237 may qualify for assistance payments if such mortgage was executed by a mortgagor who is determined not to be an acceptable credit risk for mortgage insurance purposes (but otherwise eligible) under subsection (j) (4) of this section or under section 221(d) (2) or 234(c) and accepted as a reasonably satisfactory credit risk under section 237; or

"(2) the cooperative association of which the family is a member shall operate a housing project the construction or substantial rehabilitation of which has been financed with a mortgage insured under section 213 and which has been completed within two years prior to the filing of the application for assistance payments and the dwelling unit has had no previous occupant other than the family: *Provided,* That assistance payments may be made with respect to a dwelling unit in an existing cooperative project which meets such standards as the Secretary may prescribe: *Provided further,* That a preference shall be given in contracting to make periodic assistance payments under this section to a family which qualifies as a displaced family as defined in section 221(f), or a family which includes five or more minor persons, or a family occupying low-rent public housing: *Provided further,* That the amount of the mortgage attributable to the dwelling unit shall involve a principal obligation not in excess of $15,000 ($17,500 in any geographical area where the Secretary authorizes an increase on the basis of a finding that cost levels so require), except that with respect to any family with five or more persons the foregoing limits shall be $17,500 and $20,000, respectively.

"(c) The assistance payments to a mortgagee by the Secretary on behalf of a mortgagor shall be made during such time as the mortgagor shall continue to occupy the property which secures the mortgage: *Provided,* That assistance payments may be made on behalf of a homeowner who assumes a mortgage insured under subsection (j) (4) with respect to which assistance payments have been made on behalf of the previous owner, if the homeowner is approved by the Secretary as eligible for receiving such assistance. The payment shall be in an amount not exceeding the lesser of—

"(1) the balance of the monthly payment for principal, interest, taxes, insurance, and mortgage insurance premium due under the mortgage remaining unpaid after applying 20 per centum of the mortgagor's income: *Provided,* That, in determining a mortgagor's income for the purposes of this paragraph, there shall be deducted an amount equal to $200 for each minor person who is a member of the immediate family of, and living with, the mortgagor, and the earnings of any such minor person shall not be included in the income of such mortgagor; or

"(2) the difference between the amount of the monthly payment for principal, interest, and mortgage insurance premium which the mortgagor is obligated to pay under the mortgage and the monthly payment for principal and interest which the mortgagor would be obligated to pay if the mortgage were to bear interest at the rate of 1 per centum per annum.

"(d) Assistance payments to a mortgagee by the Secretary on behalf of a family holding membership in a cooperative association operating a housing project shall be made only during such time as the family is an occupant of such project and shall be in amounts computed on the basis of the formula set forth in subsection (c) applying the cooperative member's proportionate share of the obligations under the project mortgage to the items specified in the formula.

"(e) The Secretary may include in the payment to the mortgagee such amount, in addition to the amount computed under subsection (c), (d), or (j)(7), as he deems appropriate to reimburse the mortgagee for its expenses in handling the mortgage.

"(f) Procedures shall be adopted by the Secretary for recertifications of the mortgagor's (or cooperative member's) income at intervals of two years (or at shorter intervals where the Secretary deems it desirable) for the purpose of adjusting the amount of such assistance payments within the limits of the formula described in subsection (c).

"(g) The Secretary shall prescribe such regulations as he deems necessary to assure that the sales price of, or other consideration paid in connection with, the purchase by a homeowner of the property with respect to which assistance payments are to be made is not increased above the appraised value on which the maximum mortgage which the Secretary will insure is computed.

"(h) There are authorized to be appropriated such sums as may be necessary to carry out the provisions of this section, including such sums as may be necessary to make the assistance payments under contracts entered into under this section. The aggregate amount of contracts to make such payments shall not exceed amounts approved in appropriation acts, and payments pursuant to such contracts shall not exceed $75,000,000 per annum prior to July 1, 1969, which maximum dollar amount shall be increased by $100,000,000 on July 1, 1969, and by $125,000,000 on July 1, 1970.

"(i)(1) The Secretary is authorized, upon application by mortgagee, to insure a mortgage executed by a mortgagor who meets the eligibility requirements for assistance payments prescribed by the Secretary under subsection (b). Commitments for the insurance of such mortgages may be issued by the Secretary prior to the date of their execution or disbursement thereon, upon such terms and conditions as the Secretary may prescribe.

"(2) To be eligible for insurance under this subsection a mortgage shall meet the requirements of section 221(d)(2) or 234(c), except as such requirements are modified by this subsection.

"(3) A mortgage to be insured under this subsection shall—

"(A) involve a single-family dwelling which has been approved by the Secretary prior to the beginning of construction or substantial rehabilitation, or a two-family dwelling one of the units of which is to be occupied by the owner if the dwelling is purchased with the assistance of a nonprofit organization and is approved by the Secretary prior to the beginning of substantial rehabilitation, or a one-family unit in a condominium project (together with an undivided interest in the common areas and facilities serving the project) which is released from a multifamily project the construction or substantial rehabilitation of which has been completed within two years prior to the filing of the application for assistance payments with respect to such family unit and the unit has had no previous occupant other than the mortgagor: *Provided,* That the mortgage may involve an existing dwelling or a family unit in an existing condominium project if the dwelling or family unit meets such standards as the Secretary may prescribe, or if assistance payments have been made on behalf of the previous owner of the dwelling or family unit with respect to a mortgage insured under subsection (j)(4): *Provided further,* That a preference in extending mortgage insurance under this subsection shall be given to a mortgagor who qualifies as a displaced family as defined in section 221(f), or a family which includes five or more minor persons, or a family occupying low-rent public housing: *Provided further,* That the mortgage may involve a dwelling unit in an existing project covered by a mortgage insured under section 236 or in an existing project receiving the benefits of financial assistance under section 101 of the Housing and Urban Development Act of 1965;

"(B) where it is to cover a one-family unit in a codominium project, have a principal obligation not exceeding $15,000 ($17,500 in any geographical area where the Secretary authorizes an increase on the basis of a finding that cost levels so require), except that with respect to any family with five or more persons the foregoing limits shall be $17,500 and $20,000, respectively; and

"(C) be executed by a mortgagor who shall have paid (i) in the case of a displaced family as defined in section 221(f), at least $200, or (ii), in the case of any other family, at least 3 per centum (or such larger amount as the Secretary may require) of the Secretary's estimate of the costs of acquisition, in cash or its equivalent, which amount in either instance may be applied for the payment of settlements costs and initial payments for taxes, hazard insurance, mortgage insurance premiums, and other prepaid expenses.

"(j)(1) In addition to mortgages insured under the provisions of subsection (i), the Secretary is authorized, upon application by the mortgagee, to insure a mortgage (including advances under such mortgage during rehabilitation) which is executed by a nonprofit organization to finance the purchase of housing, and the rehabilitation of such housing if it is deteriorating or substandard, for subsequent resale to low or moderate income home purchasers who meet the eligibility requirements for assistance payments prescribed by the Secretary under subsection (b). Commitments for the insurance of such mortgages may be issued by the Secretary prior to the date of their execution or disbursement thereon, upon such terms and conditions as the Secretary may prescribe.

"(2) To be eligible for insurance under paragraph (1) of this subsection, a mortgage shall—

"(A) be executed by a private nonprofit organization, approved by the Secretary, for the purpose of financing the purchase (with the intention of subsequent resale), and rehabilitation where the housing involved is deteriorating or substandard, of property comprising one or more tracts or parcels, whether or not contiguous, consisting of (i) four or more single-family dwellings of detached, semidetached, or row construction, or (ii) four or more one-family units in a structure or structures for which a plan of family unit ownership approved by the Secretary is established; except that in a case not involving the rehabilitation of deteriorating or substandard housing the property purchased may consist of one or more such dwellings or units;

"(B) be in a principal amount not exceeding the appraised value of the property at the time of its purchase under the mortgage plus the estimated cost of any rehabilitation;

"(C) bear interest (exclusive of premium charges for insurance and service charge, if any) at not to exceed such per centum per annum (not in excess of 6 per centum), on the amount of the principal obligation outstanding at any time, as the Secretary finds necessary to meet the mortgage market;

"(D) provide for complete amortization (subject to paragraph (4)(E)) by periodic payments within such term as the Secretary may prescribe; and

"(E) provide for the release of individual single-family dwellings from the lien of the mortgage upon their sale in accordance with paragraph (4).

"(3) No mortgage shall be insured under paragraph (1) unless the mortgagor shall have demonstrated to the satisfaction of the Secretary that (A) the property involved is located in a neighborhood which is sufficiently stable and contains sufficient public facilities and amenities to support long-term values, or (B) the purchase or rehabilitation of such property plus the mortgagor's related activities and the activities of other owners of housing in the neighborhood, together with actions to be taken by public authorities, will be of such scope and quality as to give reasonable promise that a stable environment will be created in the neighborhood.

"(4)(A) No mortgage shall be insured under paragraph (1) unless the mortgagor enters into an agreement, satisfactory to the Secretary, that it will offer to sell the dwellings involved, after purchase and upon completion of any rehabilitation, to low or moderate income individuals or families meeting the eligibility requirements established by the Secretary under subsection (b).

"(B) The Secretary is authorized to insure under this paragraph mortgages executed to finance the sale of individual dwellings to low or moderate income purchasers as provided in subparagraph (A). Any such mortgage shall—

"(i) be in a principal amount not in excess of that portion of the unpaid principal balance of the blanket mortgage covering the property which is allocable to the individual dwelling involved;

"(ii) bear interest at the same rate as the blanket mortgage; and

"(iii) provide for complete amortization by periodic payments within a term equal to the remaining term (determined without regard to subparagraph (E)) of such blanket mortgage.

"(C) The price for which any individual dwelling is sold under this paragraph shall be in an amount equal to that portion of the unpaid principal balance of the blanket mortgage covering the property which is allocable to the dwelling plus such additional amount, not less than $200 (which may be applied in whole or in part toward closing costs), as the Secretary may determine to be reasonable.

"(D) Upon the sale under this paragraph of any individual dwelling, such dwelling shall be released from the lien of the blanket mortgage. Until all of the individual dwellings in the property covered by the blanket mortgage have been sold, the mortgagor shall hold and operate the dwellings remaining unsold at any given time, in such manner and under such terms as the Secretary may prescribe, as though they constituted rental units.

"(E) Upon the sale under this paragraph of all the individual dwellings in the property covered by the blanket mortgage and the release of all individual dwellings from the lien of the blanket mortgage, the insurance of the blanket mortgage shall be terminated and no adjusted premium charge shall be charged by the Secretary upon such termination.

"(5) Where the Secretary has approved a plan of family unit ownership, the terms 'single-family dwelling', 'single-family dwellings', 'individual dwelling', and 'individual dwellings' shall mean a family unit or family units, together with the undivided interest (or interests) in the common areas and facilities.

"(6) For purposes of this subsection, the terms 'single-family dwelling' and "single-family dwellings' (except for purposes of paragraph (5)) shall include a two-family dwelling which has been approved by the Secretary if one of the units is to be occupied by the owner.

"(7) In addition to the assistance payments authorized under subsection (b), the Secretary may make such payments to a mortgagee on behalf of a nonprofit organization which is a mortgagor under the provisions of paragraph (1) in an amount not exceeding the difference between the monthly payment for principal, interest, and mortgage insurance premium which the mortgagor is obligated to pay under the mortgage and the monthly payment for principal and interest such mortgagor would be obligated to pay if the mortgage were to bear interest at the rate of 1 per centum per annum.

"(k) The Secretary shall from time to time allocate and transfer to the Secretary of Agriculture, for use (in accordance with the terms and conditions of this section) in rural areas and small towns, a reasonable portion of the total authority to contract to make assistance payments as approved in appropriation Acts under subsection (h).

"(l) Notwithstanding any other provision of this section, no assistance payments authorized to be contracted under this section shall be made on behalf of any family whose income exceeds 130% of the maximum income limits which can be established in the area, pursuant to the limitations prescribed in sections 2(2) and 15(7)(b)(ii) of the United States Housing Act of 1937, for occupancy in public housing dwellings."

(b)(1) Section 221(d)(2)(A) of the National Housing Act is amended—

(A) by striking out "not to exceed (i) $12,500" and inserting in lieu thereof "not to exceed (i) $15,000 (or $17,500, if the mortgagor's family includes five or more persons)"; and

(B) by striking out "not to exceed $15,000" in the second proviso and inserting in lieu thereof "not to exceed $17,500 (or $20,000 if the mortgagor's family includes five or more persons)".

(2) Section 221(d)(2)(B) of such Act is amended—

(A) by inserting ", in cash or its equivalent" before the semicolon after "acquisition cost" in the first proviso; and

(B) by inserting before the semicolon after "appraised value" at the end thereof the following: ": *Provided further*, That, if the mortgagor is the owner and an occupant of the property, such mortgagor shall to the maximum extent feasible be given the opportunity to contribute the value of his labor as equity in such dwelling".

(c)(1) Section 221(h)(5)(B)(ii) of such Act is amended to read as follows:

"(ii) bear interest at the same rate as the principal mortgage or such lower rate, not less than 1 per centum, as the Secretary may prescribe if in his judgment the purchaser's income is sufficiently low to justify the lower rate, and provide for complete amortization within a term equal to the remaining term (determined without regard to subparagraph (E)) of such principal mortgage."

(2) Section 221(h)(4) of such Act is amended by striking out "$20,000,000" and inserting in lieu thereof "$50,000,000".

(3) Section 221(h) of such Act is further amended by adding at the end thereof the following new paragraph:

"(6) In addition to the mortgages that may be insured under paragraphs (1) and (5), the Secretary is authorized to insure under this subsection, upon such terms and conditions as he may prescribe, mortgages which are executed by individuals or families that meet the income criteria prescribed in paragraph (5)(A) and are executed for the purpose of financing the rehabilitation or improvement of single-famiy dwellings of detached, semidetached, or row construction that are owned and occupied in each instance by a mortgagor who has purchased the dwelling from a nonprofit organization of the type described in this subsection. To be eligible for such insurance, a mortgage shall—

"(A) be in a principal amount not exceeding the lesser of $15,000 or the sum of the estimated cost of repair and rehabilitation and the Secretary's estimate of the value of the property before repair and rehabilitation, except that in no case involving refinancing shall such mortgage exceed such estimated cost of repair and rehabilitation and the amount (as determined by the Secretary) required to refinance existing indebtedness secured by the property;

"(B) bear interest (exclusive of premium charges for insurance and service charge, if any) at 3 per centum per annum or such lower rate, not less than 1 per centum, as the Secretary may prescribe if in his judgment the mortgagor's income is sufficiently low to justify the lower rate;

"(C) involve a mortgagor that shall have paid on account of the property at the time of the rehabilitation such amount (which shall not be less than $200 in cash or its equivalent, but which may be applied in whole or in part toward closing costs) as the Secretary may determine to be reasonable and appropriate under the circumstances; and

"(D) contain a provision that if the low-income mortgagor does not continue to occupy the property, the interest rate shall increase to the highest rate permissible under this section and the regulations of the Secretary effective at the time of commitment for insurance of the mortgage; except that the increase in interest rate shall not be applicable if the property is sold and the purchaser is (i) a nonprofit organization which has been engaged in purchasing and rehabilitating deteriorating and substandard housing with financing under a mortgage insured under paragraph (1) of this subsection, (ii) a public housing agency having jurisdiction under the United States Housing Act of 1937 over the area where the dwelling is located, or (iii) a low-income purchaser approved for the purposes of this paragraph by the Secretary."

(4) The purchase of any individual dwelling, sold by a nonprofit organization pursuant to the provisions of section 221(h)(5) of the National Housing Act after the date of enactment of this section, may be financed with a mortgage insured under the provisions of section 235(j)(4) of such Act, but such mortgage shall bear interest at the rate provided in section 235(j)(2)(C) of such Act.

(d) Section 212(a) of such Act is amended by inserting "or section 235(j)(1)" after "subsection (h)(1)" each place it appears.

(e) The Secretary of Housing and Urban Development is authorized to provide, or contract with public or private organizations to provide, such budget, debt management, and related counseling services to mortgagors whose mortgages are insured under section 235(i) or 235(j)(4) of the National Housing Act as he determines to be necessary to assist such mortgagors in meeting the responsibilities of homeownership. There are authorized to be appropriated such sums as may be necessary to carry out the provisions of this subsection.

CREDIT ASSISTANCE

SEC. 102. (a) Title II of the National Housing Act is amended by adding after section 236 (as added by section 201 of this Act) the following new section:

"SPECIAL MORTGAGE INSURANCE ASSISTANCE

"SEC. 237. (a) The purpose of this section is to help provide adequate housing for families of low and moderate income, including those who, for reasons of credit history, irregular income patterns caused by seasonal employment, or other factors, are unable to meet the credit requirements of the Secretary for the purchase of a single-family home financed by a mortgage insured under section 203, 220, 221, 234, or 235(j)(4), but who, through the incentive of homeownership and counseling assistance, appear to be able to achieve homeownership.

"(b) The Secretary is authorized upon application by the mortgagee to insure under this section any mortgage meeting the requirements of this section.

"(c) To be eligible for insurance under this section, a mortgage shall—

"(1) meet the requirements of section 203, 220(d)(3)(A), 221(d)(2), 221(h)(5), 221(i), 234(c), or 235(j)(4) except as such requirements are modified by this section;

"(2) involve a principal obligation (including such initial service charges, and such appraisal, inspection, and other fees, as the Secretary shall approve) in an amount not to exceed $15,000: *Provided,* That the Secretary may increase the amount to not exceed $17,500 in any geographical area where he finds that cost levels so require: *Provided further,* That no mortgage meeting the requirements of section 203(h) or 203(i) shall be eligible for insurance under this section if its principal obligation is in excess of the maximum limits prescribed in such section;

"(3) be executed by a mortgagor who the Secretary has determined, after a full and complete study of the case, would not be an acceptable credit risk for mortgage insurance purposes under section 203, 220, 221, 234, or 235(j)(4), because of his credit standing, debt obligations, total annual income, or income characteristics, but who the Secretary is satisfied would be a reasonably satisfactory credit risk, consistent with the objectives stated in subsection (a), if he were to receive budget, debt management, and related counseling: *Provided,* That, in determining whether the mortgagor is a reasonably satisfactory credit risk, the Secretary shall review the credit history of the applicant giving special consideration to those delinquent accounts which were ultimately paid by the applicant and to extenuating factors which may have caused credit accounts of the applicant to become delinquent; and the Secretary shall also give special consideration to income characteristics of applicants whose total income over the two years prior to their applications has remained at levels of eligiblity (as required under paragraph (4) of this subsection), but who, because of the character of their seasonal employment or for other reasons, have not maintained continuous employment under one employer during that time; and

"(4) require monthly payments which, in combination with local real estate taxes on the property involved, do not exceed 25 per centum of the applicant's income, based on his average monthly income during the year prior to his application or the average monthly income during the three years prior to his application, whichever is higher.

"(d) The Secretary shall give preference in approving mortgage insurance applications under this section to families living in public housing units, especially those families required to leave public housing because their incomes have risen beyond the maximum prescribed income limits, and families eligible for residence in public housing who have been displaced from federally assisted urban renewal areas.

"(e) The Secretary is authorized to provide, or contract with public or private organizations to provide, such budget, debt management, and related counseling services to mortgagors whose mortgages are insured under this section as he determines to be necessary to meet the objectives of this section. The Secretary may also provide such counseling to otherwise eligible families who lack sufficient funds to supply a downpayment to help them to save an amount necessary for that purpose.

"(f) The aggregate principal balance of all mortgages insured under this section and outstanding at one time shall not exceed $100,000,000.

"(g) There are authorized to be appropriated such sums as may be necessary to carry out the provisions of subsection (e) of this section."

(b) Section 226 of the National Housing Act is amended by inserting "235(i), 237," after "234,".

RELAXATION OF MORTGAGE INSURANCE REQUIREMENTS IN CERTAIN URBAN NEIGHBORHOODS

SEC. 103. (a) Section 223 of the National Housing Act is amended by adding at the end thereof a new subsection as follows:

"(e) Notwithstanding any of the provisions of this title except section 212, and without regard to limitations upon eligibility contained in any section of this title, the Secretary is authorized, upon application by the mortgagee, to insure under any section of this title a mortgage executed in connection with the repair, rehabilitation, construction, or purchase of property located in an older, declining urban area in which the conditions are such that one or more of the eligibility requirements applicable to the section of this title under which insurance is sought could not be met, if the Secretary finds that (1) the area is reasonably viable, giving consideration to the need for providing adequate housing for families of low and moderate income in such areas, and (2) the property is an acceptable risk in view of such consideration. The insurance of a mortgage pursuant to this subsection shall be the obligation of the Special Risk Insurance Fund."

(b) Section 203(l) of such Act is repealed.

SPECIAL RISK INSURANCE FUND

SEC. 104. (a) Title II of the National Housing Act is amended by adding after section 237 (as added by section 102 of this Act) the following new section:

"PAYMENT OF INSURANCE—SPECIAL RISK INSURANCE FUND

"SEC. 238. (a) (1) Any mortgagee under a mortgage insured under section 235(i), 235(j)(4), or 237 shall be entitled to receive the benefits of the insurance as provided in section 204(a) with respect to mortgages insured under section 203. The provisions of subsections (b), (c), (d), (g), (j), and (k) of section 204 shall be applicable to mortgages insured under section 235(i) 235(j)(4), or 237, except that all references therein to the 'Mutual Mortgage Insurance Fund' shall be construed to refer to the 'Special Risk Insurance Fund', and all references therein to section 203 shall be construed to refer to section 235(i), 235(j)(4), or 237, as may be appropriate.

"(2) Any mortgagee under a mortgage insured under section 235(j)(1) or 236 shall be entitled to receive the benefits of insurance as provided in section 207(g) with respect to mortgages insured under section 207. The provisions of subsections (d), (e), (h), (i), (j), (k), (l), and (n) of section 207 shall be applicable to mortgages insured under sectition 235(j)(1) or 236, except that all references therein to the 'General Insurance Fund' shall be construed to refer to the 'Special Risk Insurance Fund' and the premium charge provided in section 207(d) shall be payable only in cash or debentures of the Special Risk Insurance Fund.

"(3) In lieu of the amount of insurance benefits computed pursuant to paragraph (1) or (2) of this subsection, the Secretary, in his discretion and in accordance with such regulations as he may prescribe, may (with respect to any mortgage loan acquired by him) compute and pay insurance benefits to the mortgagee in a total amount equal to the unpaid principal balance of the loan plus any accrued interest and any advances approved by the Secretary and made previously by the mortgagee under the provisions of the mortgage.

"(b) There is hereby created a Special Risk Insurance Fund (hereinafter referred to as the 'fund') which shall be used by the Secretary as a revolving fund for carrying out the mortgage insurance obligations of sections 223(e), 233(a)(2), 235, 236, and 237, and the Secretary is hereby authorized to advance to the fund the sum of $5,000,000 from the General Insurance Fund established pursuant to the provisions of section 519. Such advance shall be repayable at such times and at such rates of interest as the Secretary deems appropriate. Premium charges, adjusted premium charges, inspection and other fees, service charges, and any other income received by the Secretary under sections 223(e), 235, 236, and 237, together with all earnings on the assets of the fund, shall be credited to the fund. All payments made pursuant to claims of mortgagees with respect to mortgages insured under sections 235, 236, and 237 or pursuant to section 223(e) or 233(a)(2), cash adjustments, the principal of and interest paid on debentures which are the obligation of the fund, expenses incurred in connection with or as a consequence of the acquisition and disposal of property acquired under such sections, and all administrative expenses in connection with the mortgage insurance operations under such sections shall be paid out of the fund. There is authorized to be appropriated such sums as may be needed from time to time to cover losses sustained by the fund in carrying out the mortgage insurance obligations of sections 223(e), 233(a)(2), 235, 236, and 237. Moneys in the fund not needed for current operations of the fund shall be deposited with the Treasurer of the United States to the credit of the fund or invested in bonds or other obligations of, or in bonds or other obligations guaranteed by, the United States, The Secretary, with the approval of the Secretary of the Treasury, may purchase in the open market debentures which are the obligation of the fund. Such purchases shall be made at a price which will provide an investment yield of not less than the yield obtained from other investments authorized by this section. Debentures so purchased shall be canceled and not reissued. An annual business-type budget for the fund shall be prepared, transmitted to the Congress, considered, and enacted in the manner prescribed by law (sections 102, 103, and 104 of the Government Corporation Control Act (31 U.S.C. 847–849)) for wholly-owned Government corporations."

(b) Section 224 of such Act is amended by striking out "or section 233" and inserting in lieu thereof "section 233, or section 238".

(c) Section 519(e) of such Act is amended by inserting after "section 213(k)" the following: ", or the provisions of sections 223(e), 233(a)(2), 235, 236, and 237".

CONDOMINIUM AND COOPERATIVE OWNERSHIP FOR LOW AND MODERATE INCOME FAMILIES

SEC. 105. (a) Section 221 of the National Housing Act is amended by adding at the end thereof two new subsections as follows:

"(l)(1) The Secretary is authorized, with respect to any project involving a mortgage insured under subsection (d)(3) which bears interest at the below-market interest rate prescribed in the proviso of subsection (d)(5), to permit a conversion of the ownership of such project to a plan of family unit ownership. Under such plan, each family unit shall be eligible for individual ownership and provision shall be included for the sale of the family units, together with an undivided interest in the common areas and facilities which serve the project, to low or

moderate income purchasers. The Secretary shall obtain such agreements as he determines to be necessary to assure continued maintenance of the common areas and facilities. Upon such sale, the family unit and the undivided interest in the common areas shall be released from the lien of the project mortgage.

"(2)(A) The Secretary is authorized, upon application by the mortgagee, to insure under this subsection mortgages financing the purchase of individual family units under the plan prescribed in paragraph (1). Commitments may be issued by the Secretary for the insurance of such mortgages prior to the date of their execution or disbursement thereon, upon such terms and conditions as the Secretary may prescribe. To be eligible for such insurance, the mortgage shall—

"(i) be executed by a mortgagor having an income within the limits prescribed by the Secretary for occupants of projects financed with a mortgage insured under subsection (d)(3) which bears interest at the below-market rate prescribed in the proviso of subsection (d)(5);

"(ii) involve a principal obligation (including such initial service charges, and such appraisal, inspection, and other fees, as the Secretary shall approve) in an amount not to exceed the Secretary's estimate of the appraised value of the family unit, including the mortgagor's interest in the common areas and facilities, as of the date the mortgage is accepted for insurance;

"(iii) bear interest at a rate determined by the Secretary (which may vary in accordance with the regulations of the Secretary promulgated pursuant to the last sentence of paragraph (4) of this subsection) but not less than the below-market rate in effect under the proviso of subsection (d)(5) at the date of the commitment for insurance; and

"(iv) provide for complete amortization by periodic payments within such term as the Secretary may prescribe, but not to exceed the lesser of forty years from the beginning of amortization of the mortgage or three-quarters of the Secretary's estimate of the remaining economic life of the building improvements.

"(B) The price for which the individual family unit is sold to the low or moderate income purchaser shall not exceed the appraised value of the property, as determined under subparagraph (A)(ii), except that the purchaser shall be required to pay on account of the property at the time of purchase at least such amount, in cash or its equivalent (which shall be not less than 3 per centum of such price, but which may be applied in whole or in part toward closing costs), as the Secretary may determine to be reasonable and appropriate.

"(3) Upon the sale of all of the family units covered by the project mortgage, and the release of all of the family units (including the undivided interest allocable to each unit in the common areas and facilities) from the lien of the project mortgage, the insurance of the project mortgage shall be terminated and no adjusted premium charge shall be collected by the Secretary upon such termination.

"(4) Any mortgage covering an individual family unit insured under this subsection shall contain a provision that, if the original mortgagor does not continue to occupy the property, the interest rate shall increase to the highest rate permissible under this section and the regulations of the Secretary effective at the time the commitment was issued for the insurance of the project mortgage; except that the requirement for an increase in interest rate shall not be applicable if the property is sold and the purchaser is (i) a nonprofit purchaser approved by the Secretary, or (ii) a low or moderate income purchaser who has an income within the limits prescribed by the Secretary for occupants of projects financed with a mortgage insured under subsection (d)(3) which bears interest at the below-market rate prescribed in the proviso of subsection (d)(5). The mortgage shall also contain a provision that, if the Secretary determines that the annual income of the original mortgagor (or a purchaser described in clause (ii) of the preceding sentence) has increased to an amount enabling payment of a greater rate of interest, the interest rate of the individual mortgage may be increased up to the highest rate permissible under the regulations of the Secretary for mortgages insured under this section effective at the time the commitment was issued for the insurance of the mortgage.

"(5) For the purpose of this subsection—

"(1) the term 'mortgage', when used in relation to a mortgage insured under paragraph (2) of this subsection, includes a first mortgage given to secure the unpaid purchase price of a fee interest in, or a long-term lease-hold interest in, a one-family unit in a multifamily project and an undivided interest in the common areas and facilities which serve the project; and

"(ii) the term 'common areas and facilities' includes the land and such commercial, community, and other facilities as are approved by the Secretary.

"(j)(1) The Secretary is authorized, with respect to any rental project involving a mortgage insured under subsection (d)(3) which bears interest at the below-market interest rate prescribed in the proviso of subsection (d)(5), to permit a conversion of the ownership of such project to a cooperative approved by the Secretary. Membership in such cooperative shall be made available only to those families having an income within the limits prescribed by the Secretary for occupants of projects financed with a mortgage insured under subsection (d)(3) which bears interest at such below-market rate: *Provided,* That families residing in the rental project at the time of its conversion to a cooperative who do not meet such income limits may be permitted to become members in the cooperative under such special terms and conditions as the Secretary may prescribe.

"(2) The Secretary is authorized, upon application by the mortgagee, to insure under this subsection cooperative mortgages financing the purchase of projects meeting the requirements of paragraph (1). Commitments may be issued by the Secretary for the insurance of such mortgages prior to the date of their execution or disbursement thereon, upon such terms and conditions as the Secretary may prescribe. To be eligible for such insurance, the mortgage shall—

"(i) involve a principal obligation (including such initial service charges and appraisal, inspection, and other fees as the Secretary shall approve) in an amount not exceeding the appraised value of the property for continued use as a cooperative, which value shall be based upon a mortgage amount on which the debt service can be met from the income of the property when operated on a nonprofit basis, after the payment of all operating expenses, taxes, and required reserves;

"(ii) bear interest at the below-market rate prescribed in the proviso of subsection (d)(5); and

"(iii) provide for complete amortization within such term as the Secretary may prescribe."

(b) Section 221(g)(1) of such Act is amended by striking out "or paragraph (5) of subsection (h) of this section" and inserting in lieu thereof "paragraph (5) of subsection (h) of this section, or paragraph (2) of subsection (i) of this section".

(c) Section 221(g)(2) of such Act is amended by striking out "or paragraph (1) of subsection (h)" and inserting in lieu thereof "paragraph (1) of subsection (h) of this section, or paragraph (2) of subsection (j),".

(d) Section 221(f) of such Act is amended by inserting after "subsection (h)" in the third sentence of the second paragraph the following: ", (i), or (j)".

ASSISTANCE TO NONPROFIT SPONSORS OF LOW AND MODERATE INCOME HOUSING

SEC. 106. (a) The Secretary of Housing and Urban Development is authorized to provide, or contract with public or private organizations to provide, information, advice, and technical assistance with respect to the construction, rehabilitation, and operation by nonprofit organizations of housing for low or moderate income families. Assistance by the Secretary may include—

(1) the assembly, correlation, publication, and dissemination of information with respect to the construction, rehabilitation, and operation of low and moderate income housing, and

(2) the provision of advice and technical assistance with respect to the construction, rehabilitation, and operation of low and moderate income housing.

(b)(1) The Secretary is authorized to make loans to nonprofit organizations for the necessary expenses, prior to construction, in planning, and obtaining financing for, the rehabilitation or construction of housing for low or moderate income families under any federally assisted program. Such loans shall be made without interest and shall not exceed 80 per centum of the reasonable costs expected to be incurred in planning, and in obtaining financing for, such housing prior to the availability of financing, including, but not limited to, preliminary surveys and analyses of market needs, preliminary site engineering and architectural fees, site acquisition, application and mortgage commitment fees, and construction loan fees and discounts. The Secretary shall require repayment of loans made under this subsection, under such terms and conditions as he may require, upon completion of the project or sooner, and may cancel any part or all of a loan if he determines that it cannot be recovered from the proceeds of any permanent loan made to finance the rehabilitation or construction of the housing.

(2) The Secretary shall determine prior to the making of any loan that the nonprofit organization meets such requirements with respect to financial responsibility and stability as he may prescribe.

(3) There are authorized to be appropriated for the purposes of this subsection not to exceed $7,500,000 for the fiscal year ending June 30, 1969, and not to exceed $10,000,000 for the fiscal year ending June 30, 1970. Any amounts so appropriated shall remain available until expended, and any amounts authorized for any fiscal year under this paragraph but not appropriated may be appropriated for any succeeding fiscal year.

(4) All funds appropriated for the purposes of this subsection shall be deposited in a fund which shall be known as the Low and Moderate Income Sponsor Fund, and which shall be available without fiscal year limitation and be administered by the Secretary as a revolving fund for carrying out the purposes of this subsection. Sums received in repayment of loans made under this subsection shall be deposited in such fund.

NATIONAL HOMEOWNERSHIP FOUNDATION

SEC. 107. (a)(1) There is hereby created a body corporate to be known as the "National Homeownership Foundation" (hereinafter referred to as the "Foundation") to carry out a continuing program of encouraging private and public organizations at the national, community, and neighborhood levels to provide increased homeownership and housing opportunities in urban and rural areas for lower income families through such means as—

(A) encouraging the investment in, and sponsoring of, housing for lower income families;

(B) encouraging the establishment of programs of assistance and counseling to lower income families to enable them better to achieve and afford adequate housing;

(C) providing a broad range of technical assistance through publications and advisory services to public and private organizations which are carrying out, or are desirous of carrying out, programs to expand homeownership and housing opportunities for lower income families; and

(D) providing grants and loans to public and private organizations carrying out homeownership and housing opportunity programs for lower income families to help cover some of the expenses of such programs.

(2) The Foundation shall be deemed to be a corporation without members organized and established under the provisions of the District of Columbia Nonprofit Corporation Act, with all the rights, powers, and responsibilities thereof except as limited by this section and any amendments thereto. This section shall constitute the articles of incorporation and charter of the Foundation, which shall not be an agency or instrumentality of the United States Government. The Congress expressly reserves the exclusive right to alter or amend this charter. The Foundation shall have succession until dissolved by Act of Congress. The Foundation shall maintain it principal office in the District of Columbia.

(3) No part of the net earnings of the Foundation shall inure to the benefit of any private person, and no substantial part of its activities shall be devoted to attempting to influence legislation. The Foundation shall not participate or intervene in any political campaign on behalf of any candidate for public office. The Foundation shall be operated and administered at all times as a charitable and educational foundation.

(4) No employee or officer of the Foundation shall receive compensation in excess of that received by or hereafter prescribed by law for heads of executive departments.

(5) The Foundation shall make maximum use of existing public and private agencies and programs, and in carrying out its functions the Foundation is authorized to contract with individuals, private corporations, organizations, and associations, and with agencies of the Federal, State, and local governments.

(6) The Foundation is authorized to receive donations and grants from individuals and from public and private organizations, foundations, and agencies.

(7) The Foundation may use only donated funds, or funds derived from payment of interest on loans made by it, for the principal and interest payments on any borrowings.

(b) (1) The Foundation shall have a Board of Directors consisting of eighteen members, fifteen of whom shall be appointed by the President of the United States, with the advice and consent of the Senate. The other three members shall be, ex officio, the Secretary of Housing and Urban Development, the Secretary of Agriculture, and the Director of the Office of Economic Opportunity. The President shall appoint one of the fifteen appointed members to serve as Chairman of the Board during his term of office as a member.

(2) Within thirty days after the date of enactment of this Act, the President shall appoint the fifteen appointed members of the Board. Not more than five of such members shall, at the time of their appointment, be serving full time as officers or employees of the Federal Government, or as officers or employees of any State or local government. Each appointed member of the Board shall hold office for a term of three years, except that (A) any member appointed to fill a vacancy prior to the expiration of the term for which his predecessor was appointed shall be appointed for the remainder of such term, and (B) the terms of the members first taking office shall expire, as designated by the President at the time of appointment, five at the end of the first year, five at the end of the second year, and five at the end of the third year after the date of appointment. Members of the Board, however, appointed shall be eligible for reappointment, but at no time shall there be more than five members of the Board who at the time of their appointment or reappointment were full-time officers or employees of the Federal Government or of any State or local government.

(3) Appointed members of the Board who are not employees of the Federal Government, while attending meetings or conferences of the Board or otherwise serving on business of the Board, shall be entitled to receive compensation at rates fixed by the President, but not exceeding $100 per day, including travel time, and while so serving away from their homes or regular places of business they may be allowed travel expenses, including per diem in lieu of subsistence, as authorized by section 5703 of title 5, United States Code, for persons in the Government service employed intermittently.

(4) The Board shall appoint an Executive Director of the Foundation. The Executive Director shall be the chief executive officer of the Foundation and shall serve at the pleasure of the Board, and all other executive officers and employees of the Board shall be responsible to him. The Board shall also cause to be appointed a secretary, a treasurer, and such other officers as may be necessary to conduct properly the business of the Foundation, and shall provide for filling vacancies in such offices.

(5) The Board shall adopt bylaws for the Foundation which shall be made available for public inspection upon request.

(c) (1) The Foundation shall assist public and private organizations, at their request, in initiating, developing, and conducting programs to expand homeownership and housing opportunities for lower income families. To provide such assistance and to carry out the purposes of this section, the Foundation is authorized to—

(A) carry out a continuing program of encouraging private and public organizations at the national, community, and neighborhood levels in the establishment of such programs;

(B) assist in the formation of organizations the purpose of which is the development and carrying out of such programs, including the establishment of local development funds for financing housing for lower income families through the pooling of moneys from private sources;

(C) identify and arrange for the technical and managerial assistance and personnel needed for the successful operation of such programs by public and private organizations;

(D) assist public and private organizations in obtaining the mortgage financing, insurance, and other requirements or aids necessary for conducting programs of housing construction, rehabilitation, or improvement for lower income families;

(E) arrange for, or provide on a limited basis, training for persons in the skills needed in administering programs of homeownership and housing opportunity for lower income families;

(F) encourage research and innovation, and collect and make available such information as may be desirable to further the purposes of this section, including but not limited to such activities as the sponsoring of seminars, conferences, and meetings, and the establishment of a continuing information program to acquaint lower income families with the means they can use to improve the quality of their housing and the homeownership and housing opportunities available to them;

(G) assist private and public organizations in establishing, in connection with their homeownership and housing opportunity programs for lower income families, counseling and similar activities designed to advise lower income families of the means available to better themselves economically through job training and manpower development programs; and

(H) perform other similar services in order to further the purposes of this section.

(2) The Foundation may, if it deems it appropriate, charge a reasonable fee for any assistance or services provided under this subsection.

(d) (1) In order to assist public and private organizations which are carrying out homeownership and housing opportunity programs for lower income families to fill unmet needs, initiate exceptional programs, and experiment with new approaches and programs, the Foundation is authorized, subject to such terms and conditions as it may prescribe, to make grants and loans to such organizations to help defray the following expenses:

(A) organizational and administrative expenses incurred in commencing the operation of a program, or in expanding an existing program, to the extent that the activities are related to providing homeownership and housing opportunities for lower income families;

(B) necessary preconstruction costs incurred for architectural assistance, land options, application fees, and similar items; and

(C) the cost of carrying out programs providing counseling or similar services to lower income families for whom housing is being provided, in order to enable those families better to achieve and afford adequate housing, in such matters as home management, budget management, and home maintenance.

(2) In order to be eligible for a grant or loan under this subsection, the organization seeking such assistance shall demonstrate to the satisfaction of the Foundation that the funds requested are not otherwise available from Federal sources: *Provided*, That a grant or loan under this subsection may be provided to help cover that portion of the cost of an eligible activity not covered by Federal funds.

(3) The Foundation shall encourage cooperation between public and private organizations carrying out programs of homeownership and housing opportunity for lower income families and the neighborhoods and communities affected by such programs. To help assure such cooperation and in order to coordinate, to the maximum extent feasible, any construction or rehabilitation activities with the development goals of the neighborhood or community affected, no application for a loan or grant under this subsection shall be considered unless such application has been submitted to the governing body of the community affected, or to such other entity of local government as may be designated by the governing body, for such recommendations as the local governing body or its designee may desire to make. Any recommendations so made shall be given careful consideration by the Foundation before taking final action on any such application. If, upon the expiration of thirty days after any such application has been submitted to such governing body or its designee, such body or designee fails to provide such recommendations, the application may be considered without the benefit of such recommendations.

(e) The Foundation shall coordinate its activities and consult with the Department of Housing and Urban Development and other Federal departments and agencies engaged in providing homeownership and housing opportunities for lower income families.

(f) (1) Not later than one hundred and twenty days after the close of each fiscal

year, the Foundation shall prepare and submit to the President and to the Congress a full report of its activities during such year. Such report shall include an account of the Foundation's experiences with the efforts of private and public organizations to expand homeownership and housing opportunities for lower income families, together with such recommendations as it deems appropriate.

(2) Whenever in its judgment the general unavailability of mortgage funds is sufficiently serious to deter the Foundation from carrying out its objective of expanding homeownership and housing opportunities for lower income families, the Foundation shall, in its annual report or in a separate report to the President and the Congress, state its findings and make such recommendations for alternate means of financing housing for such families as it deems appropriate.

(g)(1) The financial transactions of the Foundation shall be audited by the General Accounting Office in accordance with the principles and procedures applicable to commerial corporate transactions and under such rules and regulations as may be prescribed by the Comptroller General of the United States. The representatives of the General Accounting Office shall have access to all books, accounts, financial records, reports, files, and all other papers, things, or property belonging to or in use by the Foundation and necessary to facilitate the audit, and they shall be afforded full facilities for verifying transactions with the balance or securities held by depositories, fiscal agents, and custodians. The audit shall cover the fiscal year corresponding to that of the United States Government.

(2) A report of each such audit shall be made by the Comptroller General to the Congress not later than January 15 following the close of the fiscal year for which the audit was made. The report shall set forth the scope of the audit and shall include a statement of assets and liabilities, capital, and surplus or deficit; a statement of sources and application of funds; and such comments and information as may be deemed necessary to keep the Congress informed of the operations and financial condition of the Foundation, together with such recommendations with respect thereto as the Comptroller General may deem advisable. The report shall also show specifically any program, expenditure, or other financial transaction or undertaking, observed in the course of the audit, which, in the opinion of the Comptroller General, has been carried on or made without authority of law. A copy of each report shall be furnished to the President and to the Foundation at the time submitted to the Congress.

(h) Funds of the Foundation shall be deposited, to the extent practicable, in accounts with financial institutions which are actively engaged in making loans or are otherwise carrying on activities in furtherance of homeownership and housing opportunities for lower income families.

(i) There is authorized to be appropriated to the Foundation not to exceed $10,000,000 to carry out the purposes of this section. Appropriations made hereunder shall remain available until expended.

NEW TECHNOLOGIES IN THE DEVELOPMENT OF HOUSING FOR LOWER INCOME FAMILIES

SEC. 108. (a) In order to encourage the use of new housing technologies in providing decent, safe, and sanitary housing for lower income families; to encourage large-scale experimentation in the use of such technologies; to provide a basis for comparison of such technologies with existing housing technologies in providing such housing; and to evaluate the effect of local housing codes and zoning regulations on the large-scale use of new housing technologies in the provision of such housing, the Secretary of Housing and Urban Development (hereinafter referred to as the "Secretary") shall institute a program under which qualified organizations, public and private, will submit plans for the development of housing for lower income families, using new and advanced technologies, on Federal land which has been made available by the Secretary for the purposes of this section, or on other land where (1) local building regulations permit the construction of experimental housing, or (2) State or local law permits variances from building regulations in the construction of experimental housing for the purpose of testing and developing new building technologies.

(b) The Secretary shall approve not more than five plans utilizing new housing technologies which are submitted to him pursuant to the program referred to in subsection (a) and which he determines are most promising in furtherance of the purposes of this section. In making such determination the Secretary shall consider—

(1) the potential of the technology employed for producing housing for lower income families on a large scale at a moderate cost;

(2) the extent to which the plan envisages environmental quality;

(3) the possibility of mass production of the technology; and

(4) the financial soundness of the organization submitting the plan, and the ability of such organization, alone or in combination with other organizations, to produce at least one thousand dwellings units a year utilizing the technology proposed.

(c) In approving projects for mortgage insurance under section 233(a)(2) of the National Housing Act (as added by subsection (f) of this section), the Secretary shall seek to achieve the construction of at least one thousand dwelling units a year over a five-year period for each of the various types of technologies proposed in approved plans under subsection (b). The Secretary shall evaluate each project with respect to which assistance is extended pursuant to this section with a view to determining (1) the detailed cost breakdown per dwelling unit, (2) the environmental quality achieved in each such unit, and (3) the effect which local housing codes and zoning regulations have, or would have if applicable, on the cost per dwelling unit.

(d) Notwithstanding the provisions of the Federal Property and Administrative Services Act of 1949, any land which is excess property within the meaning of such Act and which is determined by the Secretary to be suitable in furtherance of the purposes of this section may be transferred to the Secretary upon his request.

(e) The Secretary shall, at the earliest practicable date, report his findings with respect to projects assisted purusant to this section (including evaluations of each such project in accordance with subsection (c), together with such recommendations for additional legislation as he determines to be necessary or desirable to expand the available supply of decent, safe, and sanitary housing for lower income families through the use of technologies the efficacy of which has been demonstrated under this section.

(f)(1) Section 233(a) of the National Housing Act is amended—

(A) by inserting "(1)" after "(a)",

(B) by redesignating clauses (1), (2), and (3) as clauses (A), (B), and (C), respectively, and

(C) by adding at the end thereof the following new paragraph:

"(2) The Secretary is further authorized to insure and to make commitments to insure, under this section, mortgages (including advances on mortgages during construction) secured by properties in projects to be carried out in accordance with plans approved by the Secretary under section 108 of the Housing and Urban Development Act of 1968.".

(2) Section 233(c) of such Act is amended by inserting at the end thereof the following new sentence: "Any authority which the Secretary may exercise in connection with a mortgage, or property covered by a mortgage, insured under any other section of this title (including payments to reduce rentals for, or to facilitate homeownership by, lower income families) may be exercised in connection with a mortgage, or property covered by a mortgage, meeting the requirements of such other section (except as specified in subsection (b)), which is insured under this section to the same extent and in the same manner as if the mortgage insured under this section was insured under such other section."

INSURANCE PROTECTION FOR HOMEOWNERS

SEC. 109. (a) The Secretary of Housing and Urban Development is authorized, in cooperation with the private insurance industry, to develop a plan for the establishment at the earliest practicable date of an insurance program to help homeowners in meeting mortgage payments in times of personal economic adversity. Such insurance program shall be designed to protect mortgagors against foreclosure due to curtailment of income resulting from factors beyond their effective control, including such factors as death, disability, illness, and unemployment. Such insurance program shall also be designed to be actuarially sound through the use of premiums, fees, extended or increased payment schedules, or other similar methods, in conjunction with such Federal participation as may be necessary.

(b) Within six months following the date of enactment of this Act, the Secretary shall report to the Congress on his actions under this section, and shall recommend to the Congress such legislation as he deems appropriate to authorize him to enter into agreements with any insurance company, or any corporation or joint enterprise formed to provide home mortgage insurance protection, for the purpose of reinsuring insurance reserve funds, subsidizing premium payments on behalf of lower income mortgagors, or otherwise making possible the insurance protection of homeowners in accordance with subsection (a). In preparing such recommendations the Secretary shall consult with other agencies or instrumentalities of the United States which insure or guarantee home mortgages in order that such legislation as may be recommended affords equal benefits to mortgagors participating in their programs.

TITLE II—RENTAL HOUSING FOR LOW AND MODERATE INCOME FAMILIES

PART A—PRIVATE HOUSING

RENTAL AND COOPERATIVE HOUSING FOR LOW AND MODERATE INCOME FAMILIES

SEC. 201. (a) Title II of the National Housing Act is amended by adding after section 235 (as added by section 101 of this Act) the following new section:

"RENTAL AND COOPERATIVE HOUSING FOR LOW AND MODERATE INCOME FAMILIES

"SEC. 236. (a) For the purpose of reducing rentals for low and moderate income families, the Secretary is authorized to make, and to contract to make, periodic interest reduction payments on behalf of the owner of a rental housing project designed for occupancy by low and moderate income families, which shall be accomplished through payments to mortgagees holding mortgages meeting the special requirements specified in this section.

"(b) Interest reduction payments with respect to a project shall only be made during such time as the project is operated as a rental housing project and is subject to a mortgage which meets the requirements of, and is insured under, subsection (j) of this section: *Provided*, That interest reduction payments may be made with respect to a rental or cooperative housing project owned

by a private nonprofit corporation or other private nonprofit entity, a limited dividend corporation or other limited dividend entity, or a cooperative housing corporation, which is financed under a State or local program providing assistance through loans, loan insurance, or tax abatements, and which, prior to completion of construction or rehabilitation, is approved for receiving the benefits of this section.

"(c) The interest reduction payments to a mortgagee by the Secretary on behalf of a project owner shall be in an amount not exceeding the difference between the monthly payment for principal, interest, and mortgage insurance premium which the project owner as a mortgagor is obligated to pay under the mortgage and the monthly payment for principal and interest such project owner would be obligated to pay if the mortgage were to bear interest at the rate of 1 per centum per annum.

"(d) The Secretary may include in the payment to the mortgagee such amount, in addition to the amount computed under subsection (c), as he deems appropriate to reimburse the mortgagee for its expenses in handling the mortgage.

"(e) As a condition for receiving the benefits of interest reduction payments the project owner shall operate the project in accordance with such requirements with respect to tenant elegibility and rents as the Secretary may prescribe. Procedures shall be adopted by the Secretary for review of tenant incomes at intervals of two years (or at shorter intervals where the Secretary deems it desirable).

"(f) For each dwelling unit there shall be established with the approval of the Secretary (1) a basic rental charge determined on the basis of operating the project with payments of principal and interest due under a mortgage bearing interest at the rate of 1 per centum per annum; and (2) a fair market rental charge determined on the basis of operating the project with payments of principal, interest, and mortgage insurance premium which the mortgagor is obligated to pay under the mortgage covering the project. The rental for each dwelling unit shall be at the basic rental charge or such greater amount, not exceeding the fair market rental charge, as represents 25 per centum of the tenant's income.

"(g) The project owner shall, as required by the Secretary, accumulate, safeguard, and periodically pay to the Secretary all rental charges collected in excess of the basic rental charges. Such excess charges shall be deposited by the Secretary in a fund which may be used by him as a revolving fund for the purpose of making interest reduction payments with respect to any rental housing project covered by a mortgage insured under this section, subject to limits approved in appropriation Acts pursuant to subsection (i). Moneys in such fund not needed for current operations may be invested in bonds or other obligations of the United States or in bonds or other obligations guaranteed as to principal and interest by the United States.

"(h) In addition to establishing the requirements specified in subsection (e), the Secretary is authorized to make such rules and regulations, to enter into such agreements, and to adopt such procedures as he may deem necessary or desirable to carry out the provisions of this section.

"(i) There are authorized to be appropriated such sums as may be necessary to carry out the provisions of this section, including such sums as may be necessary to make interest reduction payments under contracts entered into under this section. The aggregate amount of contracts to make such payments shall not exceed amounts approved in appropriation Acts, and payments pursuant to such contracts shall not exceed $75,000,000 per annum prior to July 1, 1969, which maximum dollar amount shall be increased by $100,000,000 on July 1, 1969, and by $125,000,000 on July 1, 1970.

"(j)(1) The Secretary is authorized, upon application by the mortgagee, to insure a mortgage (including advances on such mortgage during construction) which meets the requirements of this subsection. Commitments for the insurance of such mortgages may be issued by the Secretary prior to the date of their execution or disbursement thereon, upon such terms and conditions as he may prescribe.

"(2) As used in this subsection—

"(A) the terms 'family' and 'families' shall have the same meaning as in section 221;

"(B) the term 'elderly or handicapped families' shall have the same meaning as in section 202 of the Housing Act of 1959; and

"(C) the terms 'mortgage', 'mortgagee', and 'mortgagor' shall have the same meaning as in section 201.

"(3) To be eligible for insurance under this subsection, a mortgage shall meet the requirements specified in subsections (d)(1) and (d)(3) of section 221, except as such requirements are modified by this subsection. In the case of a project financed with a mortgage insured under this subsection which involves a mortgagor other than a cooperative or a private nonprofit corporation or association and which is sold to a cooperative or a nonprofit corporation or association, the Secretary is further authorized to insure under this subsection a mortgage given by such purchaser in an amount not exceeding the appraised value of the property at the time of purchase, which value shall be based upon a mortgage amount on which the debt service can be met from the income of the property when operated on a nonprofit basis, after payment of all operating expenses, taxes, and required reserves.

"(4) A mortgage to be insured under this subsection shall—

"(A) be executed by a private mortgagor eligible under subsection (d)(3) or (e) of section 221;

"(B) bear interest (exclusive of premium charges for insurance and service charges, if any) at not to exceed such per centum per annum (not in excess of 6 per centum), on the amount of the principal obligation outstanding at any time, as the Secretary finds necessary to meet the mortgage market; and

"(C) provide for complete amortization by periodic payments within such term as the Secretary may prescribe.

"(5) The property or project shall—

"(A) comply with such standards and conditions as the Secretary may prescribe to establish the acceptability of the property for mortgage insurance and may include such nondwelling facilities as the Secretary deems adequate and appropriate to serve the occupants and the surrounding neighborhood: *Provided*, That the project shall be predominantly residential and any nondwelling facility included in the mortgage shall be found by the Secretary to contribute to the economic feasibility of the project, and the Secretary shall give due consideration to the possible effect of the project on other business enterprises in the community: *Provided further*, That, in the case of a project designed primarily for occupancy by elderly or handicapped families, the project may include related facilities for use by elderly or handicapped families, including cafeterias or dining halls, community rooms, workshops, infirmaries or other inpatient or outpatient health facilities, and other essential service facilities;

"(B) include five or more dwelling units; and

"(C) be designed primarily for use as a rental project to be occupied by low and moderate income families or by elderly or handicapped families: *Provided*, That low and moderate income persons who are less than sixty-two years of age shall be eligible for occupancy in such a project, but not more than 10 per centum of the dwelling units in any such project shall be available for occupancy by such persons.

"(6) With the approval of the Secretary, the mortgagor may sell the individual dwelling units to low and moderate income or elderly or handicapped purchasers. The Secretary may consent to the release of the mortgagor from his liability under the mortgage and the credit instrument secured thereby, or consent to the release of parts of the mortgaged property from the lien of the mortgage, upon such terms and conditions as he may prescribe, and the mortgage may provide for such release.

"(k) As used in this section the term 'tenant' includes a member of a cooperative; the term 'rental housing project' includes a cooperative housing project; and the terms 'rental' and 'rental charge' mean, with respect to members of a cooperative, the charges under the occupancy agreements between such members and the cooperative.

"(l) The Secretary shall from time to time allocate and transfer to the Secretary of Agriculture, for use (in accordance with the terms and conditions of this section) in rural areas and small towns, a reasonable portion of the total authority to contract to make periodic interest reduction payments as approved in appropriation Acts under subsection (i).

"(m) Notwithstanding any other provision of this section, no interest reduction payments authorized to be contracted under this section shall be made with respect to families, occupying rental housing projects insured under this section, whose incomes at the time of the initial renting of the projects are in excess of 130% of the maximum income limits which can be established in the area, pursuant to the limitations prescribed in sections 2(2) and 15(7)(b)(ii) of the United States Housing Act of 1937, for occupancy in public housing dwellings."

(b)(1) Section 212(a) of such Act is amended by striking out "or 232" in the first sentence of the second paragraph and inserting in lieu thereof ", 232, or 236".

(2) Section 227(a) of such Act is amended by striking out "or (viii) under section 234(d)" and inserting in lieu thereof "(viii) under section 234(d), or (ix) under section 236".

(3) Section 227(c) of such Act is amended by striking out "or section 233(b)(2)" each place it appears and inserting in lieu thereof "section 233, or section 236".

(c) The Secretary of Housing and Urban Development is authorized, upon such terms and conditions as he may prescribe, to transfer to section 236(j) of the National Housing Act the insurance of a mortgage which has not been finally endorsed for insurance under section 221(d)(3) of such Act and which has been approved for the below-market interest rate prescribed in the proviso of section 221(d)(5) of such Act.

(d) The Secretary of Housing and Urban Development is authorized, upon such terms and conditions as he may prescribe, to insure under section 236(j) of the National Housing Act a mortgage meeting the requirements of such section which is given to refinance a mortgage loan made under section 202 of the Housing Act of 1959: *Provided*, That the application for such insurance is filed with the Secretary on or before the date of project completion, or within such reasonable time thereafter as the Secretary may permit.

(e)(1) Section 101(d) of the Housing and Urban Development Act of 1965 is amended by striking out "one-fourth" and insetring in lieu thereof "one-fifth".

(2) Section 101(g) of such Act is amended by striking out "or 231(c)(3)" and inserting in lieu thereof ", 231(c)(3), or 236".

(3) Section 101(j)(1) of such Act is amended—

(A) by striking out "and" at the end of subparragraph (B);

(B) by striking out the period at the end of subparagraph (C) and inserting in lieu thereof "; and"; and

(C) by inserting after subparagraph (C) a new subparagraph as follows:

"(D) a private nonprofit corporation or other private nonprofit legal entity, a limited dividend corporation or other limited divided legal entity, or a cooperative housing corporation, which is a mortgagor under a mortgage insured under section 236(j) of the National Housing Act which has been approved for receiving the benefits of this section: *Provided,* That payments shall not be made with respect to more than 20 per centum of the dwelling units in any property so financed."

(f) Section 207 of the Appalachian Regional Development Act of 1965 is amended—

(1) by inserting in the heading "AND SECTION 236" immediately after "SECTION 221";

(2) by inserting "or section 236" after "section 221" each place it appears;

(3) by inserting "or 'section 236'" after "'section 221'" in subsection (a); and

(4) by inserting ", Government National Mortgage Association," immediately after "Federal Housing Administration" in subsection (c).

(g) The first sentence of section 305 (i) of the National Housing Act is amended—

(1) by striking out "or (3)" and inserting in lieu thereof "(3)", and

(2) by inserting after "221 (e)" the following: ", or (4) a mortgage insured under section 236".

RENT SUPPLEMENT PROGRAM

SEC. 202. (a) Section 101 (a) of the Housing and Urban Development Act of 1965 is amended by striking out everything after the word "exceed" the second time the word appears in the third sentence and inserting in lieu thereof the following: "$150,000,000 per annum prior to July 1, 1969, which maximum dollar amount shall be increased by $40,000,000 on July 1, 1969, and by $100,000,000 on July 1, 1970."

(b) Section 101(b) of such Act is amended by inserting after the first sentence the following: "Such term also includes a private nonprofit corporation or other private nonprofit legal entity, a limited dividend corporation or other limited dividend legal entity, or a cooperative housing corporation, which is the owner of a rental or cooperative housing project financed under a State or local program providing assistance through loans, loan insurance, or tax abatement and which prior to completion of construction or rehabilitation is approved for receiving the benefits of this section."

PART B—LOW-RENT PUBLIC HOUSING

INCREASED LOW-RENT PUBLIC HOUSING AUTHORIZATION

SEC. 203. (a) Section 10(e) of the United States Housing Act of 1937 is amended by striking out "$366,250,000 per annum, which limit shall be increased by $47,000,000 on the date of enactment of the Housing and Urban Development Act of 1965, and by further amounts of $47,000,000 on July 1 in each of the years 1966, 1967, and 1968, respectively," in the first sentence and inserting in lieu thereof the following "$554,250,000 per annum, which limit shall be increased by $100,000,000 on the date of enactment of the Housing and Urban Development Act of 1968 and by further amounts of $150,000,000 on July 1 in each of the years 1969 and 1970,".

(b) Section 20 of such Act is amended—

(1) by striking out "not to exceed $1,500,000,000" in the first sentence and inserting in lieu thereof "which shall not, unless authorized by the President, exceed $1,500,000,000"; and

(2) by inserting after the first sentence the following: "For the purpose of determining obligations incurred to make loans pursuant to this Act against any limitation otherwise applicable with respect to such loans, the Secretary shall estimate the maximum amount to be loaned at any one time pursuant to loan agreements then outstanding with public housing agencies."

PURCHASE OF UNITS BY TENANTS

SEC. 204. Section 15(9) of the United States Housing Act of 1937 is amended by striking out "which is suitable by reason of its detached or semidetached construction" and inserting in lieu thereof ", if the property to be acquired is sufficiently separable from other property retained by the public housing agency to make it suitable".

PUBLIC HOUSING IN INDIAN AREAS

SEC. 205. (a) Section 1 of the United States Housing Act of 1937 is amended by striking out "urban and rural nonfarm" in the first sentence and inserting in lieu thereof "urban, rural nonfarm, and Indian".

(b) Section 10(a) of such Act is amended by inserting "or Indian" after "nonfarm" in the fourth proviso.

LIMITATION ON HIGH-RISE STRUCTURES IN LOW-RENT PUBLIC HOUSING PROJECTS

SEC. 206. Section 15 of the United States Housing Act of 1937 is amended by adding at the end thereof (after the new paragraph added by section 204 of this Act) the following new paragraph:

"(11) Except in the case of housing predominantly for the elderly, upon enactment of this paragraph, the Secretary shall not approve high-rise elevator projects for families with children unless he makes a determination that there is no practical alternative."

PROHIBITION AGAINST CERTAIN LIMITATIONS ON TYPES OR CATEGORIES OF LOW-RENT HOUSING IN PRIVATE ACCOMMODATIONS

SEC. 207. The first sentence of section 23(d) of the United States Housing Act of 1937 is amended by inserting before the period at the end thereof the following: "(and no limitation not specifically provided for in this setcion shall be imposed by regulations of the Authority on the types or categories of structures or dwelling units qualifying under subsection (a)(3) and approved under subsection (c), which may be so used in any community)".

LIMITATION ON NUMBER OF UNITS OF LOW-RENT HOUSING IN PRIVATE ACCOMMODATIONS PER STRUCTURE

SEC. 208. The first sentence of section 23(c) of the United States Housing Act of 1937 is amended by striking out "not exceeding 10 per centum of the units in any single structure except" and inserting in lieu thereof the following: "not exceeding, in the case of any single structure, the lesser of (i) ten units or 10 per centum of the units in the structure, whichever is greater, or (ii) 50 per centum of the units in the structure, with such lesser number being increased (if it is not a whole number) to the next higher whole number; except".

SALE TO TENANTS OF LOW-RENT HOUSING IN PRIVATE ACCOMMODATIONS

SEC. 209. (a) Section 23(f) of the United States Housing Act of 1937 is amended by inserting "(1)" after "shall not apply to", and by inserting before the period at the end thereof the following: ", or (2) housing purchased (or in the process of purchase) by the public housing agency for resale to tenants as provided in subsection (g)".

(b) Section 23 of such Act is further amended by adding at the end thereof the following new subsection:

"(g) To the extent authorized in contracts entered into by the Authority with a public housing agency, such agency may purchase any structure containing one or more dwelling units leased to provide low-rent housing in private accommodations under this section for the purpose of reselling the structure to the tenant or tenants of the structure or to a group of such tenants occupying units aggregating in value at least 80 per centum of the structure's total value. Any such resale shall be made subject to such terms and conditions (including provision for deferment of the required downpayment and for elimination of or adjustments in the required interest payments during a temporary period) as may be necessary to enable the tenants involved to make the purchase without undue financial hardship."

ADDITIONAL SUBSIDY FOR LARGE FAMILIES AND FAMILIES OF UNUSUALLY LOW INCOME

SEC. 210. (a) Section 2(2) of the United States Housing Act of 1937 is amended by inserting at the end thereof the following new sentences: "The term 'large families' means families which include four or more minors. The term 'families of unusually low income' means families with incomes below the income level established by the public housing agency, as approved by the Authority, who could not be housed without the additional subsidy authorized under section 10(a)."

(b) The first proviso in section 10(a) of such Act is amended—

(1) by inserting after "an elderly family," the following: "or a large family, or a family of unusually low income,";

(2) by striking out "to lease the dwelling unit to an elderly or displaced family at a rental it could afford and"; and

(3) by striking out ". and, in the case of displaced families, if and to the extent that the average or estimated average rental for units so occupied by such families was less than the rental which the Authority determines, on the basis of the average or estimated average project rentals, would have been established in leasing the units to families which were neither elderly nor similarly displaced".

TITLE III—FEDERAL HOUSING ADMINISTRATION INSURANCE OPERATIONS

MORTGAGE INSURANCE PREMIUMS FOR SERVICEMEN AND THEIR WIDOWS

SEC. 301. Section 222 of the National Housing Act is amended—

(1) by striking out "Secretary of the Treasury" each place it appears and inserting in lieu thereof "Secretary of Transportation"; and

(2) by adding at the end thereof two new subsections as follows:

"(f) The Secretary is authorized to transfer to this section the insurance on any mortgage covering a single-family dwelling or a one-family unit in a condominium project insured under this Act, if the mortgage indebtedness thereof has been assumed by a serviceman who at the time of assumption is the owner of the property and either occupies the property or certifies that his failure to do so is the result of his military assignment, or, in the case of the United States Coast Guard, other assignment.

"(g) Where a serviceman dies while on active duty in the Armed Forces of the United States or in the United States Coast Guard, leaving a surviving widow as owner of the property, the period of ownership by the serviceman (within the meaning of subsection (c) of this section) shall extend for two years beyond the date of the serviceman's death or until the date the widow disposes of the property, whichever date occurs first. The Secretary of Defense or the Secretary of Transportation, as the case may be, shall notify such widow promptly following the serviceman's death of the additional costs to be borne by the mortgagor following termination of the two-year period."

MODIFICATIONS IN TERMS OF INSURED MORTGAGES COVERING MULTIFAMILY PROJECTS

SEC. 302. Title II of the National Housing Act is amended by adding after section 238 (as added by section 104 of this Act) the following new section:

"MODIFICATIONS IN TERMS OF INSURED MORTGAGES COVERING MULTIFAMILY PROJECTS.

"SEC. 239. (a) Te Secretary shall not consent to any request for an extension of the time for curing a default under any mortgage covering multifamily housing, as defined in the regulations of the Secretary, or for a modification of the terms of such mortgage, except in conformity with regulations prescribed by the Secretary in accordance with the provisions of this section. Such regulations shall require, as a condition to the granting of any such request, that, during the period of such extension or modification, any part of the rents or other funds derived by the mortgagor from the property covered by the mortgage which is not required to meet actual and necessary expenses arising in connection with the operation of such property, including amortization charges under the mortgage, be held in trust by the mortgagor and distributed only with the consent of the Secretary; except that the Secretary may provide for the granting of consent to any request for an extension of the time for curing a default under any mortgage covering multifamily housing, or for a modification of the terms of such mortgage, without regard to the foregoing requirement, in any case or class of cases in which an exemption from such requirement does not (as determined by the Secretary) jeopardize the interests of the United States.

"(b) Whoever, as an owner of a property which is security for a mortgage described in subsection (a), or as a stockholder of a corporation owning such property, or as a beneficial owner under any business organization or trust owning such property, or as an officer, director, or agent of any such owner, (1) willfully uses or authorizes the use of any part of the rents or other funds derived from property covered by such mortgage in violation of a regulation prescribed by the Secretary under subsection (a), or (2) if such mortgage is determined, as provided in subsection (a), to be exempt from the requirement of any such regulation or is not otherwise covered by such regulation, willfully and knowingly uses or authorizes the use, while such mortgage is in default, of any part of the rents or other funds derived from the property covered by such mortgage for any purpose other than to meet actual and necessary expenses arising in connection with such property (including amortization charges under the mortgage), shall be fined not more than $5,000 or imprisoned not more than three years, or both."

CONDOMINIUMS

SEC. 303. (a) Section 234(c) of the National Housing Act is amended by striking out "rental housing, and (3)" in the first sentence and inserting in lieu thereof the following: "rental housing: *Provided,* That a one-family unit in a multifamily project involving eleven or less units shall be eligible for insurance without having been covered by a project mortgage, and (3)".

(b) Section 234(c) of such Act is further amended by striking out "(iii) 75 per centum" in the third sentence and inserting in lieu thereof "(iii) 80 per centum".

(c) Section 234(f) of such Act is amended by striking "five" and inserting in lieu thereof "four".

INSURANCE OF LOANS FOR PURCHASE OF FEE SIMPLE TITLE FROM LESSORS

SEC. 304. (a) Title II of the National Housing Act is amended by adding after section 239 (as added by section 302 of this Act) the following new section:

"PURCHASE OF FEE SIMPLE TITLE FROM LESSORS

"SEC. 240. (a) The Secretary is authorized, upon such terms and conditions as he may prescribe, to make commitments to insure and to insure loans made by financial institutions for the purpose of financing purchases by homeowners of the fee simple title to property on which their homes are located.

"(b) As used in this section—

"(1) the term 'financial institution' means a lender approved by the Secretary as eligible for insurance under section 2 or a mortgage approved under section 203(b)(1); and

"(2) the term 'homeowner' means a lessee under a long-term ground lease.

"(c) To be eligible for insurance under this section, a loan shall—

"(1) relate to property on which there is located a dwelling designed principally for a one-, two-, three-, or four-family residence;

"(2) not exceed the cost of purchasing the fee simple title, or $10,000 per family unit, whichever is the lesser;

"(3) be limited to an amount which when added to any outstanding indebtedness related to the property (as determined by the Secretary) creates a total outstanding indebtedness which does not exceed the applicable mortgage limit prescribed in section 203(b);

"(4) bear interest at not to exceed such per centum per annum (not to exceed 6 per centum), on the amount of the principal obligation outstanding at any time, as the Secretary finds necessary to meet market conditions, and such other charges (including service charges and appraisal, inspection, and other fees) as may be approved by the Secretary;

"(5) have a maturity satisfactory to the Secretary, but not to exceed twenty years from the beginning of amortization of the loan or three-quarters of the remaining economic life of the home, whichever is the lesser; and

"(6) comply with such other terms, conditions, and restrictions as the Secretary may prescribe.

"(d) The provisions of paragraphs (3), (5), (6), (7), (8), and (10) of section 220 (h) shall be applicable to loans insured under this section, and as applied to loans insured under this section, references in those paragraphs to 'home improvement loans' and 'this subsection' shall be construed to refer to loans under this section."

(b) Section 5(c) of the Home Owners' Loan Act of 1933 (12 U.S.C. 1464(c)) is amended by adding immediately before the last paragraph the following new paragraph:

"Notwithstanding any other provision of this subsection, an association may invest in loans or obligations, or interests therein, as to which the association has the benefit of insurance under section 240 of the National Housing Act, or of a commitment or agreement therefor, and such investments shall not be included in any percentage of assets or other percentage referred to in this subsection."

EXTENSION OF SECTION 221(d)(2) SALES HOUSING PROGRAM FOR TWO-, THREE-, AND FOUR-FAMILY RESIDENCES TO ALL LOW AND MODERATE INCOME FAMILIES

SEC. 305. Section 221(d)(2) of the National Housing Act is amended by striking out "a displaced family" at the end of the first proviso and inserting in lieu thereof "the mortgagor".

REMOVAL OF DIVIDEND RESTRICTION FOR NONDWELLING FACILITIES IN SECTION 221 PROJECTS

SEC. 306. Section 221(f) of the National Housing Act is amended by striking out in the first sentence all that follows the word "mortgage" in the proviso and inserting in lieu thereof ": *Provided further,* That, in the case of a mortgage which bears interest at the below-market interest rate prescribed in the proviso of subsection (d)(5), the provisions of section 220(d)(3)(B)(iv) shall only apply if the mortgagor waives the right to receive dividends on its equity investment in the portion thereof devoted to commercial facilities."

SUPPLEMENTAL LOAN PROGRAM FOR PROJECTS FINANCED WITH FEDERAL HOUSING ADMINISTRATION INSURED MORTGAGES

SEC. 307. Title II of the National Housing Act is amended by adding after section 240 (as added by section 304 of this Act) the following new section:

"SUPPLEMENTAL LOANS FOR MULTIFAMILY PROJECTS

"SEC. 241. (a) With respect to a multifamily project or group practice facility covered by a mortgage insured under any section or title of this Act, the Secretary is authorized, upon such terms and conditions as he may prescribe, to make commitments to insure, and to insure, supplemental loans (including advances during construction or improvement) made by financial institutions approved by the Secretary. As used in this section, 'supplemental loan' means a loan, advance of credit, or purchase of an obligation representing a loan or advance of credit made for the purpose of financing improvements or additions to such project or facility: *Provided,* That a loan involving a nursing home covered by a mortgage insured under section 232 or a loan involving a group practice facility covered by a mortgage insured under title XI may also be made for the purpose of financing equipment to be used in the operation of such nursing home or facility.

"(b) To be eligible for insurance under this section, a supplemental loan shall—

"(1) be limited to 90 per centum of the amount which the Secretary estimates will be the value of such improvements, additions, and equipment, except that such amount, when added to the outstanding balance of the mortgage covering the project or facility, shall not exceed the maximum mortgage amount insurable under the section or title pursuant to which the mortgage covering such project or facility is insured;

"(2) have a maturity satisfactory to the Secretary but not to exceed the remaining term of the mortgage;

"(3) bear interest (exclusive of premium charges for insurance and service charges, if any) at not to exceed such per centum per annum (not in excess of 6 per centum), on the amount of the principal obligation outstanding at any time, as the Secretary finds necessary to meet market conditions;

"(4) be secured in such manner as the Secretary may require;

"(5) be governed by the labor standards provisions of section 212 without regard to the section or title pursuant to which the mortgage covering the project or facility is insured; and

"(6) contain such other terms, conditions, and restrictions as the Secretary may prescribe.

"(c) The provisions of subsections (d), (e), (g), (h), (i), (j), (k), (l), and (n) of section 207 shall be applicable to loans insured under this section, except that (1) all references to the term 'mortgage' shall be construed to refer to the term 'loan' as used in this section, (2) loans involving projects covered by a mortgage insured under section 213 that is the obligation of the Cooperative Management Housing Insurance Fund shall be insured under and shall be the obligation of such fund, and (3) loans involving projects covered by a mortgage insured under section 236 shall be insured under and shall be the obligation of the Special Risk Insurance Fund."

HOME IMPROVEMENT LOANS—INCREASE IN MAXIMUM MATURITY, FINANCE CHARGE, AND LOAN AMOUNT

SEC. 308. Section 2(b) of the National Housing Act is amended—

(1) by striking out "$3,500" and inserting in lieu thereof "$5,000";

(2) by striking out "five years" and inserting in lieu thereof "seven years";

(3) by striking out "$5 discount" and inserting in lieu thereof "$5.50 discount"; and

(4) by striking out "$4 discount" and inserting in lieu thereof "$4.50 discount".

EXPERIMENTAL HOUSING PROGRAM

SEC. 309. Section 233 of the National Housing Act is amended—

(1) by striking out "of this title" immediately before the semicolon in subsection (b) and inserting in lieu thereof "or titles of this Act"; and

(2) by striking out "of this title" in subsection (e) and inserting in lieu thereof "or title of this Act".

TERM OF FEDERAL HOUSING ADMINISTRATION MORTGAGES FOR LAND DEVELOPMENT

SEC. 310. Section 1002(d)(1) of the National Housing Act is amended by striking out "seven years" and inserting in lieu thereof "ten years".

REHABILITATED MULTIFAMILY PROJECTS IN URBAN RENEWAL AREAS

SEC. 311. (a) Section 220(d)(3)(B)(ii) of the National Housing Act is amended by inserting immediately before the semicolon at the end thereof ": *Provided further*, That the mortgage may involve the financing of the purchase of property which has been rehabilitated by a local public agency with Federal assistance pursuant to section 110(c)(8) of the Housing Act of 1949, and, in such case, the foregoing limitations upon the amount of the mortgage shall be based upon the appraised value of the property as of the date the mortgage is accepted for insurance".

(b) Section 221(d)(3)(iii) of such Act is amended by inserting immediately before the colon at the end of the first proviso ": *Provided further*, That the mortgage may involve the financing of the purchase of property which has been rehabilitated by a local public agency with Federal assistance pursuant to section 110(c)(8) of the Housing Act of 1949, and, in such case, the amount of the mortgage shall not exceed the appraised value of the property as of the date the mortgage is accepted for insurance".

MISCELLANEOUS HOUSING INSURANCE

SEC. 312. (a) Section 223 of the National Housing Act is amended—

(1) by striking out so much of subsection (a) as precedes paragraph (1) and inserting in lieu thereof the following:

"(a) Notwithstanding any of the provisions of this Act and without regard to limitations upon eligibility contained in any section or title of this Act, the Secretary is authorized, upon application by the mortgagee, to insure or make commitments to insure under any section or title of this Act any mortgage—";

(2) by striking out "applicable to loans insured under section 203, 207, 213, 220, 221, 222, 231, 232, or 233, as the case may be" in the first and second provisos of subsection (a)(7) and inserting in lieu thereof "prescribed under the applicable section or title of this Act";

(3) by striking out "this title" each time it appears in subsection (c) and inserting in lieu thereof "this Act";

(4) by striking out "title I, title II, title VI, title VII, title VIII, or title IX" in subsection (c) and inserting in lieu thereof "any section or title of this Act"; and

(5) by striking out "(except that in any case the payment of insurance shall be in debentures)" at the end of subsection (c).

(b) Section 223(d) of such Act is amended by striking out all that follows "as he may prescribe," and inserting in lieu thereof the following: "insure under the same section as the original mortgage a loan by the mortgagee in an amount not exceeding the excess of the foregoing expenses over the project income. Such loan shall (1) bear interest (exclusive of premium charges for insurance) at not to exceed the per centum per annum currently permitted for mortgages insured under the section under which it is to be insured, (2) be secured in such manner as the Secretary shall require, and (3) be limited to a term not exceeding the unexpired term of the original mortgage. The Secretary is authorized to collect a premium charge for insurance of loans pursuant to this subsection in an amount computed at the same premium rate as is applicable to the original mortgage. This premium shall be payable in cash or in debentures of the insurance fund under which the loan is insured at par plus accured interest. In the event of a failure of the borrower to make any payment due under such loan or under the original mortgage, both the loan and original mortgage shall be considered in default, and if such default continues for a period of thirty days, the lender shall be entitled to insurance benefits, computed in the same manenr as for the original mortgage, except that in determining the interest rate under section 224 for the debentures representing the portion of the claim applicable to the loan, the date of the commitment to insure the loan and the insurance date of the loan shall be taken into consideration rather than the commitment or insurance date for the original mortgage."

SUPPLEMENTARY LOANS FOR COOPERATIVE HOUSING PURCHASED FROM THE FEDERAL GOVERNMENT

SEC. 313. Section 213(j) of the National Housing Act is amended—

(1) by inserting after the first sentence of paragraph (1) the following sentence: "The Secretary is further authorized to make commitments to insure and to insure supplementary cooperative loans (including advances during construction or improvement) with respect to any property purchased from the Federal Government by a nonprofit corporation or trust of the character described in paragraph (1) of subsection (a), if the property is covered by an uninsured mortgage representing a part of the purchase price."; and

(2) by adding before the semicolon at the end of paragraph (2)(B) the following: "; except that, in the case of repairs or improvements to a property covered by an uninsured mortgage dated more than twenty years prior to the date of the commitment to insure, of such magnitude that the Secretary deems them to be a major rehabilitation or modernization of such property, the loan may have a maturity date up to ten years in excess of the remaining term of the uninsured mortgage".

EQUIPMENT IN NURSING HOMES

SEC. 314. Section 232 of the National Housing Act is amended—

(1) by striking out subsection (b)(2) and inserting in lieu thereof the following:

"(2) the term 'mortgage' means a first mortgage on real estate in fee simple, or on the interest of either the lessor or lessee thereof (A) under a lease for not less than ninety-nine years which is renewable, or (B) under a lease having a period of not less than fifty years to run from the date of the mortgage was executed. The term 'first mortgage' means such classes of first liens as are commonly given to secure advances (including but not limited to advances during construction) on, or the unpaid purchase price of, real estate under the laws of the State in which the real estate is located, together with the credit instrument or instruments, if any, secured thereby, and any mortgage may be in the form of one or more trust mortgages or mortgage indentures or deeds of trust, securing notes, bonds, or other credit instrument, and, by the same instrument or by a separate instrument, may create a security interest in initial equipment, whether or not attached to the realty. The term 'mortgagor' shall have the meaning set forth in section 207(a) of this Act";

(2) by striking out so much of subsection (d) as precedes paragraph (1) and inserting in lieu thereof the following:

"(d) In order to carry out the purposes of this section, the Secretary is authorized to insure any mortgage which covers a new or rehabilitated nursing home, including equipment to be used in its operation, subject to the following conditions:";

(3) by striking out "when the proposed improvements are completed" before the period at the end of subsection (d)(2) and inserting in lieu thereof the following: ", including equipment to be used in the operation of the nursing home, when the proposed improvements are completed and the equipment is installed"; and

(4) by inserting before the semicolon at the end of subsection (d)(3)(A) the following: "(except that in the case of a mortgage which covers equipment the maturity may not exceed the reasonable use expectancy of such equipment)".

FLEXIBLE INTEREST RATES FOR CERTAIN FHA INSURANCE PROGRAMS

SEC. 315. Section 3(a) of the Act entitled "An Act to amend chapter 37 of title 38 of the United States Code with respect to the veterans' home loan program, to amend the National Housing Act with respect to interest rates on insured mortgages, and for other purposes", approved May 7, 1968, is amended by inserting "235(j)(2)(C), 236 (j)(4)(B), 240(c)(4), 241(b)(3), 242(d)(3)(B)," after "234(f),".

FHA SECTION 221(h) PROGRAM

SEC. 316. (a) Section 221(h)(2)(A) of the National Housing Act is amended to read as follows:

"(A) be executed by a private nonprofit corporation or association, approved by the Secretary, for financing the purchase and rehabilitation (with the intention of subsequent resale) of property comprising one or more tracts or parcels, whether or not contiguous, upon which there is located deteriorating or substandard housing consisting of (i) four or more single-family dwellings of detached, semidetached, or row construction, or (ii) four or more one-family units in a structure or structures for which a plan of family unit ownership approved by the Secretary is established;".

(b) Section 221(h) of such Act is amended by adding at the end thereof (after the new paragraph added by section 101(c)(3) of this Act) two new paragraphs as follows:

"(7) Where the Secretary has approved a plan of family unit ownership, the terms 'single-family dwelling', 'single-family dwellings', 'individual dwelling', and 'individual dwellings' shall mean a family unit or family units, together with the undivided interest (or interests) in the common areas and facilities.

"(8) For purposes of this subsection, the terms 'single-family dwelling' and 'single-family dwellings' (except for purposes of paragraph (7)) shall include a two-family dwelling which has been approved by the Secretary if one of the units is to be occupied by the owner."

HOUSING IN OUTLYING AREAS

SEC. 317. Section 203(i) of the National Housing Act is amended by striking out "not in excess of $12,500" and inserting in lieu thereof "not in excess of $15,000".

COOPERATION WITH LOCAL GOVERNMENT IN CONNECTION WITH SECTION 221(d)(3) PROJECTS

SEC. 318. Section 221 of the National Housing Act is amended by adding at the end thereof (after the new subsections added by section 105 of this Act) the following new subsection:

"(k) Upon receiving any application for the insurance of a mortgage under subsection (d)(3), the Secretary shall notify the governing body of the locality where the project involved is or will be situated, re-

questing that such governing body submit a statement of the impact which such project will have on public services provided by the local government and its agencies together with a statement of the relationship of such project to any locally adopted master plans. After receiving and considering the statement submitted by the local governing body (or after the expiration of a reasonable period of time if no such statement is submitted), the Secretary may approve the mortgage for insurance in accordance with the provisions of this section if he finds that the project involved is consistent with any comprehensive planning which may have ben developed for the area and with any locally adopted master plans."

TITLE IV—URBAN RENEWAL

NEIGHBORHOOD DEVELOPMENT PROGRAMS

SEC. 401. (a) Title I of the Housing Act of 1949 is amended by adding after the title heading the following new subheading:

"PART A—URBAN RENEWAL PROJECTS, DEMOLITION PROGRAMS, AND CODE ENFORCEMENT PROGRAMS"

(b) Title I of such Act is further amended by adding at the end thereof the following new part:

"PART B—NEIGHBORHOOD DEVELOPMENT PROGRAMS

"PURPOSE AND AUTHORITY

"SEC. 131. (a) To facilitate more rapid renewal and development of urban areas on an effective scale, and to encourage more efficient and flexible utilization of public and private development opportunities by local communities in such areas, the Secretary is authorized to make financial assistance available under this title to local public agencies for undertakings and activities which are carried out under a neighborhood development program approved by him pursuant to this part.

"(b) A neighborhood development program shall consist of urban renewal project undertakings and activities in one or more urban renewal areas which are planned and carried out on the basis of annual increments in accordance with the provisions of this title for planning and carrying out urban renewal projects, except as modified by the provisions of this part.

"(c) No application for financial assistance in planning and carrying out a neighborhood development program shall be approved by the Secretary unless—

"(1) the governing body of the locality has, by resolution or ordinance, approved the proposed program and the annual increment covered by the application and authorized the filing of the application for financial assistance; and

"(2) the Secretary has concluded that there is the necessary capacity to carry out the undertakings and activities included under the program.

"FINANCIAL PROVISIONS

"SEC. 132. (a) Upon the approval of a neighborhood development program by the Secretary, the cost of any undertakings and activities authorized as part of the program shall be financed in accordance with the loan, capital grant, and project cost provisions of part A, except that—

"(1) net project cost may be calculated on the basis of costs incurred and proceeds derived for the account of the program during a specified twelve-month period, and may be recalculated for succeeding periods of twelve months to reflect additional costs and additional proceeds since the date of the last computation or recomputation; and

"(2) if property has been acquired but not disposed of prior to the computation or recomputation of net project cost, temporary loans made or secured under this title to finance undertakings or activities included in the program may remain outstanding until the property has been disposed of and the proceeds thereof, together with additional funds becoming available to the program, are sufficient to permit repayment of the loans.

"(b) In the event that gross project cost as computed for a specified twelve-month period is exceeded, with respect to that period, by the sum of (1) the sales price of land or other property sold, and (2) the imputed capital value of land or other property leased or retained by the local public agency in accordance with the provisions of the urban renewal plan, the local public agency shall pay to the Secretary two-thirds of the excess (or three-fourths in the case of a program on a three-fourths grant basis), which amount shall be available to the Secretary for grant payments under section 103.

"LOCAL GRANTS-IN-AID

"SEC. 133. (a) For the purpose of determining the eligibility of local grants-in-aid in connection with undertakings and activities carried out under a neighborhood development program, the three-year period referred to in the second paragraph of section 110(d) shall be deemed to be a period of three years prior to the authorization by the Secretary of the first contract for financial assistance under the program which includes the urban renewal area which is benefited by the public improvement or facility for which credit is claimed; and the seven-year period referred to in clause (1) of section 112(b) shall be deemed to be a period of seven years prior to the date of authorization by the Secretary of the first contract for financial assistance under the program which includes the urban renewal area which is benefited by the expenditures for which credit is claimed.

"(b) No portion of the cost of a public improvement or public facility (to the extent otherwise eligible) may be included as a local grant-in-aid in computing the gross project cost of an approved program for any twelve-month period—

"(1) prior to commencement of construction of the improvement or facility, or

"(2) in excess of the amount actually expended or obligated by contract.

"(c) The provisions of section 104 with respect to the pooling of local grants-in-aid among the various projects undertaken by a local public agency shall not be applicable with respect to any excess local grants-in-aid resulting from the urban renewal projects contained in a neighborhood development program.

"GENERAL PROVISIONS

"SEC. 134. (a) For purposes of this part—

"(1) the workable program requirement in section 101(c) shall apply to the authorization, rather than the execution, of any contract for loans or capital grants;

"(2) capital grants on a three-fourths basis may only be made under section 103(a)(2)(B);

"(3) the relocation requirements specified in section 105(c) shall apply to each annual increment of an approved program;

"(4) section 106(g) (relating to transient housing) shall apply to activities undertaken under approved programs, except that the determination as to need for transient housing shall be made with respect to any sale or lease of land for construction of such housing prior to such sale or lease; and

"(5) the requirement concerning demolition and removal of buildings and improvements stated in clause (A) of the sentence following paragraph (10) of section 110(c) shall apply to each annual increment of an approved program.

"(b) The approval by the Secretary of financial assistance for one or more annual increments of a neighborhood development program shall not be considered as obligating him to provide financial assistance for any subsequent annual increments.

"(c) The urban renewal plan referred to in section 110(b) may cover one or more of the urban renewal areas covered by a neighborhood development program and such plan may be modified from time to time to cover additional urban renewal areas added to the program. The Secretary may establish such requirements as he deems appropriate prescribing the scope and content of such plan, taking into consideration, among other matters, the degree of detail needed in the plan to properly and expeditiously carry out the activities and undertakings proposed in any annual increment of a neighborhood development program."

(c) Notwithstanding any requirement or condition to the contrary in section 6 or 20 (i) of the District of Columbia Redevelopment Act of 1945 or in any other provision of law, the District of Columbia Redevelopment Land Agency may plan and undertake neighborhood development programs under part B of title I of the Housing Act of 1949 (as added by this section), subject to all of the provisions of such Act of 1945 to the extent not inconsistent with such part B, and any such program shall be regarded as complying with the requirements of such sections 6 and 20 (i) and of such other provision of law if it meets the applicable requirements established under such part B.

INCREASED AUTHORIZATION

SEC. 402. (a) Section 103(b) of the Housing Act of 1949 is amended by striking out everything in the first sentence after "exceed" and inserting in lieu thereof "$7,600,000,000, which amount shall be increased by $1,400,000,000 on July 1, 1969".

(b) Section 103(b) of such Act is further amended by striking out "$250,000,000' in the second sentence and inserting in lieu thereof "$600,000,000".

REHABILITATION GRANTS

SEC. 403. (a) The second sentence of section 115 (a) of the Housing Act of 1949 is amended by striking out the words "a structure" and "such structure" and inserting in lieu thereof "real property" and "such real property", respectively.

(b) Section 115(b) of such Act is amended by striking out "$1,500" and inserting in lieu thereof "$3,000".

(c) Section 115(a) of such Act is amended by inserting "(1)" after "(a)", and by adding at the end thereof a new paragraph as follows:

"(2) In addition to the authority conferred by paragraph (1), and notwithstanding any other provision of this title, the Secretary is authorized, through the utilization of local public agencies where feasible, to make grants (payable from any grant funds provided under section 103(b)) to an individual or family, as described in subsection (c), to cover the cost of repairs and improvements necessary to make real property owned and occupied by such individual or family conform to public standards for decent, safe, and sanitary housing as required by applicable codes. No grants shall be made under this paragraph in the case of any property unless such property is in an area within a locality (other than an urban renewal area or an area in which a program of concentrated code enforcement is being carried out pursuant to section 117) which the governing body of the locality has determined, and so certifies to the Secretary, contains a substantial number of structures in need of rehabilitation.

(d) Section 115 of such Act is further amended—

(1) by redesignating subsection (b) as subsection (c) and inserting after subsection (a) a new subsection (b) as follows:

"(b) The Secretary is authorized to make grants (payable from any grant funds provided under section 103(b)), through the utilization of local public and private agencies where feasible, to an individual or family, as described in subsection (c), who owns and occupies real property which has been determined to be uninsurable because of

physical hazards after an inspection pursuant to a statewide property insurance plan approved by the Secretary under title XII of the National Housing Act. Such grants may only be made to rehabilitate such property to the extent which the Secretary determines to be necessary to make it meet reasonable underwriting standards imposed by such plan and only where the property is located in an area which the governing body of the locality has determined, and so certifies to the Secretary, contains a substantial number of structures in need of rehabilitation."; and

(2) by striking out "subsection (b)" in subsection (a) and inserting in lieu thereof "subsection (c)".

REHABILITATION IN URBAN RENEWAL AREAS

SEC. 404. Section 110(c)(8) of the Housing Act of 1949 is amended by striking out (1) "guidance purposes, and", and (2) the proviso at the end thereof.

DISPOSITION OF PROPERTY FOR LOW AND MODERATE INCOME HOUSING

SEC. 405. Section 107(a) of the Housing Act of 1949 is amended—

(1) by inserting "or other approved purchaser or lessee," after "public body or agency.";

(2) by inserting ", section 221(h)(1), section 235(j)(1), or section 236" after "or (d)(4)";

(3) by inserting "or lessee" after "a purchaser" and after "such purchaser", and "or lease" after "purchase";

(4) by striking out "rental or cooperative"; and

(5) by striking out "moderate" and inserting in lieu thereof "low or moderate".

CAPITAL GRANTS FOR LOW AND MODERATE INCOME HOUSING IN OPEN LAND PROJECTS

SEC. 406. Section 103(a)(1) of the Housing Act of 1949 is amended by inserting before the period at the end thereof the following: ", except that he may contract for such a grant in an amount not to exceed two-thirds of the difference between the proceeds from any land disposed of pursuant to section 107 and the fair value of the land without regard to such section".

URBAN RENEWAL LOAN CONTRACTS

SEC. 407. (a) Section 102(c) of the Housing Act of 1949 is amended—

(1) by striking out "at interest rates lower than provided in the loan contract" in the first sentence; and

(2) by inserting before the period at the end of the first sentence the following: ": *Provided*, That, if at any time during the undertaking of the project, the interest rate on such a loan from a source other than the Federal Government is greater than the rate at which funds could be made available under the Federal loan contract, the Secretary may make a supplemental grant to the local public agency in the amount of the difference between the interest cost from such sources and the interest cost at the contract rate, and no part of the amount of any such grant shall be required to be contributed as a part of the local grant-in-aid".

(b) Loan contracts outstanding on the date of enactment of this section may be amended to incorporate the provisions authorized by the amendment contained in subsection (a) without regard to the proviso in section 110(g) of the Housing Act of 1949.

PROJECT COMPLETION PRIOR TO DISPOSITION OF CERTAIN PROPERTY

SEC. 408. (a) Section 106 of the Housing Act of 1949 is amended by adding at the end thereof the following new subsection:

"(i) Upon a determination by the Secretary that (1) not more than 5 per centum of the total area of land acquired as part of an urban renewal project remains to be disposed of, (2) the local public agency does not expect to be able, due to circumstances beyond its control, to dispose of such land in the near future, (3) all other project activities are completed, and (4) the local public agency has agreed to dispose of or retain such land for uses in accordance with the urban renewal plan, the urban renewal project may be deemed completed, and the net project cost may be computed and the capital grant paid."

(b) Section 110(f) of such Act is amended by inserting before the period at the end thereof the following: "or for subsequent disposition or retention as provided under section 106(i)".

REHABILITATION LOANS

SEC. 409. (a) The first sentence of section 312(d) of the Housing Act of 1964 is amended to read as follows: "There is authorized to be appropriated not to exceed $150,000,000 for each fiscal year which shall constitute a revolving fund to be used by the Secretary in carrying out this section."

(b) Section 312(h) of such Act is amended by striking out "October 1, 1969" and inserting in lieu thereof "June 30, 1973".

(c) Section 312(a) of such Act is amended to read as follows:

"(a) The Secretary is authorized, through the utilization of local public and private agencies where feasible, to make loans as herein provided to the owners and tenants of property to finance the rehabilitation of such property. No loan shall be made under this section unless—

"(1)(A) the property is situated in an urban renewal area or an area in which a program of concentrated code enforcement activity is being carried out pursuant to section 117 of the Housing Act of 1949, and the rehabilitation is required to make the property conform to applicable code requirements or to carry out the objectives of the urban renewal plan for the area and, in addition, to generally improve the condition of the property; or

"(B)(i) the property is in an area (other than an area described in subparagraph (A)) which the governing body of the locality has determined, and so certifies to the Secretary, contains a substantial number of structures in need of rehabilitation and (ii) the property is residential, owner-occupied, and in need of substantial rehabilitation;

"(2) the applicant is unable to secure the necessary funds from other sources upon comparable terms and conditions; and

"(3) the loan is an acceptable risk taking into consideration the need for the rehabilitation, the security available for the loan, and the ability of the applicant to repay the loan."

(d) Section 312 of such Act is further amended—

(1) by inserting "or" after the semicolon at the end of paragraph (1)(B) in subsection (a) (as amended by subsection (c) of this section), and by inserting after such paragraph (1)(B) the following new subparagraph:

"(C)(i) the property has been determined to be uninsurable because of physical hazards after an inspection pursuant to a statewide property insurance plan approved by the Secretary under title XII of the National Housing Act, (ii) the loan is made to the owner or tenant of the property to finance rehabilitation which the Secretary determines to be necessary to make the property meet reasonable underwriting standards, and (iii) the property is located in an area which the governing body of the locality has determined, and so certifies to the Secretary, contains a substantial number of structures in need of rehabilitation;"; and

(2) by striking out "or" after "applicable codes" in subsection (b)(1) and inserting in lieu thereof a comma, and by inserting after "urban renewal plan" in such subsection ", or a Statewide property insurance plan".

(e) Section 312(a) of such Act (as amended by the preceding provisions of this section) is amended by adding at the end thereof the following new sentence: "Notwithstanding the preceding provisions of this subsection, no loan shall be made under this section to any person whose annual income, as determined pursuant to criteria and procedures established by the Secretary, exceeds the limits prescribed by the Secretary for occupants of projects financed with below-market interest rate mortgages insured (in the area involved) under section 221(d)(3) of the National Housing Act."

DEMOLITION GRANTS

SEC. 410. (a) The first sentence of section 116(a) of the Housing Act of 1949 is amended by inserting after "unsound" the following: ", a harborage or potential harborage of rats,".

(b) Section 116(b) of such Act is amended by inserting after the comma at the end of clause (2) the following: "or will be consistent with a systematic rodent control program being undertaken in the neighborhood,".

AIR RIGHTS SITES IN URBAN RENEWAL AREAS

SEC. 411. (a) Section 110(c)(1)(iv) of the Housing Act of 1949 is amended by striking out "for use for industrial development" and inserting in lieu thereof "for use for the development of industrial or educational facilities".

(b) Section 110(c)(7) of such Act is amended by striking out "for industrial development" and inserting in lieu thereof "for the development of industrial or educational facilities".

LOW AND MODERATE INCOME HOUSING IN RESIDENTIAL URBAN RENEWAL AREAS

SEC. 412. Section 105(f) of the Housing Act of 1949 is amended to read as follows:

"(f) A majority of the housing units provided in each community's total of such approved urban renewal projects as will be redeveloped for predominantly residential uses and which receive Federal recognition after the date of enactment of the Housing and Urban Development Act of 1968 shall be standard housing units for low and moderate income families or individuals: *Provided*, That the units in each community's total of such approved urban renewal projects which are for low income families or individuals shall constitute at least 20 per centum of the units in such projects."

WORKABLE PROGRAM REQUIREMENTS IN CASE OF INDIAN TRIBES

SEC. 413. Section 101(c) of the Housing Act of 1949 is amended by inserting after "1964" in the second proviso the following: "or, in the case of an Indian tribe, band, or nation, commencing January 1, 1969".

RULE FOR DETERMINING ACQUISITION PRICE OF PROPERTY DAMAGED BY LIMESTONE QUARRY SUBSIDENCE

SEC. 414. (a) The last paragraph of section 110(e) of the Housing Act of 1949 is amended by striking out "underlying coal mines, or" and inserting in lieu thereof "underlying coal mines, because of limestone quarry subsidence, or because of".

(b) Any contract under title I of the Housing Act of 1949 executed prior to the date of the enactment of this Act may be amended to provide for payment of the increased amounts authorized under subsection (a) with respect to any uncompleted project if the project included acquisitions which, under any State or local law in effect on such date, would involve expenditures by a local public agency that could not otherwise be included in the cost of such project.

SEC. 415. Section 117 of the Housing Act of 1949 is amended by inserting the following before the period at the end of that section: ": *Provided*, That the Secretary may, in addition to authorizing a local public agency to make grants as prescribed in Section 115, make such grants through the utilization of local private nonprofit agencies."

RELOCATION PAYMENTS

SEC. 416. Section 114(c) of the Housing Act of 1949 is amended—

(1) by striking out the first sentence of paragraph (2) and inserting in lieu thereof the following:

"In addition to any amount under paragraph (1), a local public agency may pay to or on behalf of any displaced family, displaced individual sixty-two years of age or over, or displaced handicapped individual, monthly payments over a period not to exceed twenty-four months in an amount not to exceed $500 in the first twelve months and $500 in the second twelve months to assist such displaced family or individual to secure a decent, safe, and sanitary dwelling."

(2) by striking out "relocation adjustment" in the second sentence of paragraph (2) and inserting in lieu thereof "additional."

(3) by striking out the second proviso in paragraph (2) and inserting in lieu thereof the following: "*Provided further,* That additional payments under this paragraph may be paid on a lump sum or other than monthly basis in cases in which the small size of the payments that would otherwise be required do not warrant a number of separate payments or in other cases in which other than monthly payments are determined warranted by the Secretary: *And provided further,* That no payment received under this paragraph shall be considered as income for the purpose of determining the eligibility or the extent of eligibility of any person for assistance under the Social Security Act or any other Federal Act."

(4) by inserting a new paragraph (3) as follows:

"(3) In addition to any amount under paragraph (1), a local public agency may make a payment to a displaced family or individual, who does not receive the additional payment authorized under paragraph (2) and who is the owner of real property which is acquired for a project assisted under this title and which is improved by a single- or two-family dwelling occupied by the owner for a period of not less than one year prior to the initiation of negotiations for the acquisition of such property. Such payment, not to exceed $5,000, shall be an amount which, when added to the acquisition payment, equals the average price required for a decent, safe, and sanitary dwelling of modest standards adequate to size to accommodate the displaced owner, reasonably accessible to public services and places of employment and available on the private market: *Provided,* That such payment may be made only to a displaced owner who purchases and occupies a dwelling within one year subsequent to the date on which he is required to move from the dwelling acquired for the project: *Provided further,* That no such payment may be made if the owner-occupant receives a payment required by the State law of eminent domain which is determined by the Secretary to have substantially the same purpose and effect as this paragraph and to be part of the cost of the project for which Federal financial assistance is available."

TITLE V—URBAN PLANNING AND FACILITIES

COMPREHENSIVE PLANNING

SEC. 501. Section 701 of the Housing Act of 1954 is amended to read as follows:

"COMPREHENSIVE PLANNING

"SEC. 701. (a) In order to assist State and local governments in solving planning problems, including those resulting from the increasing concentration of population in metropolitan and other urban areas and the out-migration from and lack of coordinated development of resources and services in rural areas; to facilitate comprehensive planning for urban and rural development, including coordinated transportation systems, on a continuing basis by such governments; and to encourage such governments to establish and improve planning staffs and techniques on an areawide basis, and to engage private consultants where their professional services are deemed appropriate by the assisted governments, the Secretary is authorized to make planning grants to—

"(1) State planning agencies for the provision of planning assistance to (A) cities and other municipalities having a population of less than 50,000 according to the latest decennial census, and counties without regard to population: *Provided,* That grants shall be made under this paragraph for planning assistance to counties having a population of 50,000 or more, according to the latest decennial census, which are within metropolitan areas, only if (i) the Secretary finds that planning and plans for such county will be coordinated with the program of comprehensive planning, if any, which is being carried out for the metropolitan area of which the county is a part, and (ii) the aggregate amount of the grants made subject to this proviso does not exceed 15 per centum of the aggregate amount appropriated, after September 2, 1964, for the purposes of this section, (B) any group of adjacent communities, either incorporated or unincorporated, having a total population of less than 50,000 according to the latest decennial census and having common or related urban planning problems, (C) cities, other municipalities, and counties referred to in paragraph (3) of this subsection, and areas referred to in paragraph (4) of this subsection, and (D) Indian reservations;

"(2) State, metropolitan, and regional planning agencies for metropolitan or regional planning, and to cities within metropolitan areas for planning which is a part of comprehensive metropolitan planning and which shall supplement and be coordinated with State, metropolitan, and regional planning;

"(3)(A) economic development districts designated by the Secretary of Commerce under title IV of the Public Works and Economic Development Act of 1965, and

"(B) cities, other municipalities, and counties which (i) are situated in redevelopment areas or economic development districts designated by the Secretary of Commerce under title IV of the Public Works and Economic Development Act of 1965, or (ii) have suffered substantial damage as a result of a catastrophe which the President, pursuant to section 2(a) of the Act entitled 'An Act to authorize Federal assistance to States and local governments in major disasters, and for other purposes', approved September 30, 1950, as amended (42 U.S.C. 1855a), has determined to be a major disaster;

"(4) official governmental planning agencies for areas where rapid urbanization has resulted or is expected to result from the establishment or rapid and substantial expansion of a Federal installation, or for areas where rapid urbanization is expected to result on land developed or to be developed as a new community approved under section 1004 of the National Housing Act;

"(5) States for State and interstate comprehensive planning and for research and coordination activity related thereto, including technical and other assistance for the establishment and operation of intrastate and interstate planning agencies;

"(6) State planning agencies for assistance to district planning, or planning for areas within districts, carried on by or for district planning agencies;

"(7) metropolitan and regional planning agencies, with the approval of the State planning agency or (in States where no such planning agency eixsts) of the Governor of the State, for the provision of planning assistance within the metropolitan area or region to cities, other municipalities, counties, groups of adjacent communities, or Indian reservations described in clauses (A), (B), (C), and (D) of paragraph (1) of this subsection;

"(8) official governmental planning agencies for any area where there has occurred a substantial reduction in employment opportunities as the result of (A) the closing (in whole or in part) of a Federal installation, or (B) a decline in the volume of Government orders for the procurement of articles or materials produced or manufactured in such area;

'(9) tribal planning councils or other tribal bodies designated by the Secretary of the Interior for planning for an Indian reservation;

"(10) the Appalachian Regional Commission, established by the Appalachian Regional Development Act of 1965, for comprehensive planning for the Appalachian region as defined by section 403 of such Act (or State agencies or instrumentalities participating in such planning); and

"(11) local development districts, certified under section 301 of the Appalachian Regional Development Act of 1965, for comprehensive planning for their entire areas, or for metropolitan planning, urban planning, county planning, or small municipality planning within such areas in the Appalachian region, and for planning for Appalachian regional programs.

Planning assisted under this section shall, to the maximum extent feasible, cover entire areas having common or related development problems. The Secretary shall encourage cooperation in preparing and carrying out plans among all interested municipalities, political subdivisions, public agencies, and other parties in order to achieve coordinated development of entire areas. To the maximum extent feasible, pertinent plans and studies already made for areas shall be utilized so as to avoid unnecessary repetition of effort and expense. Planning which may be assisted under this section includes the preparation of comprehensive transportation surveys, studies, and plans to aid in solving problems of traffic congestion, facilitating the circulation of people and goods in metropolitan and other areas and reducing transportation needs. Planning carried out with assistance under this section shall also include a housing element as part of the preparation of comprehensive land use plans, and this consideration of the housing needs and land use requirements for housing in each comprehensive plan shall take into account all available evidence of the assumptions and statistical basis upon which the projection of zoning, community facilities, and population growth is based, so that the housing needs of both the region and the local communities studied in the planning will be adequately covered in terms of existing and prospective in-migrant population growth. Funds available under this section shall be in addition to and may be used jointly with funds available for planning surveys and investigations under other federally aided programs, and nothing contained in this section shall be construed as affecting the authority of the Secretary of Transportation under section 307 of title 23, United States Code.

"(b) A planning grant made under subsection (a) shall not exceed two-thirds of the estimated cost of the work for which the grant is made: *Provided,* That such a grant may be made for up to 75 per centum of such estimated cost when made for planning primarily for (1) redevelopment areas, local development districts, or economic development districts, or portions thereof, described in paragraphs (3)(A) and (11) of subsection (a), (2) areas described in subsection (a)(8), and (3) the Appalachian region, as described

in subsection (a) (10). All grants made under this section shall be subject to terms and conditions prescribed by the Secretary. No portion of any grant made under this section shall be used for the preparation of plans for specific public works. The Secretary is authorized, notwithstanding the provisions of section 3648 of the Revised Statutes, as amended, to make advance or progress payments on account of any grant made under this section. There are authorized to be appropriated for the purposes of this section not to exceed $265,000,000 prior to July 1, 1969, and not to excede $390,000,000 prior to July 1, 1970. Of the amount available prior to July 1, 1969, $20,000,000 may be used only for district planning grants under subsection (a) (6), which amount shall be increased by $10,000,000 on July 1, 1969. Any amounts appropriated under this section shall remain available until expended: *Provided,* That of any funds appropriated under this section, not to exceed an aggregate of $10,000,000 plus 5 per centum of the funds so appropriated may be used by the Secretary for studies, research, and demonstration projects, undertaken independently or by contract, for the development and improvement of techniques and methods for comprehensive planning and for the advancement of the purposes of this section, and for grants to assist in the conduct of studies and research relating to needed revisions in State statutes which create, govern, or control local governments and local governmental operations.

"(c) The Secretary is authorized, in areas embracing several municipalities or other political subdivisions, to encourage planning on a unified regional, district, or metropolitan basis and to provide technical assistance for such planning and the solution of problems relating thereto.

"(d) It is the further intent of this section to encourage comprehensive planning, including transportation planning, for States, cities, counties, metropolitan areas, districts, regions, and Indian reservations and the establishment and development of the organizational units needed therefor. In extending financial assistance under this section, the Secretary may require such assurances as he deems adequate that the appropriate State and local agencies are making reasonable progress in the development of the elements of comprehensive planning. The Secretary is authorized to provide technical assistance to State and local governments and their agencies and instrumentalities, and to Indian tribal bodies, undertaking such planning and, by contract or otherwise, to make studies and publish information on related problems.

"(e) In the exercise of his responsibilities under this section, the Secretary shall consult with those officials of the Federal Government responsible for the administration of programs of Federal assistance to the States and municipalities for various categories of public facilities and other comprehensively planned activities. He shall, particularly, consult with the Secretary of Agriculture prior to his approval of any district planning grants under subsections (a) (6) and (g). The Secretary of Agriculture may provide technical assistance, with or without reimbursement, in connection with the establishment of such districts and the carrying out of such planning.

"(f) The consent of the Congress is hereby given to any two or more States to enter into agreements or compacts, not in conflict with any law of the United States, for cooperative efforts and mutual assistance in the comprehensive planning for the growth and development of interstate, metropolitan, or other urban areas, and to establish such agencies, joint or otherwise, as they may deem desirable for making effective such agreements and compacts.

"(g) In addition to the planning grants authorized by subsection (a), the Secretary is further authorized to make grants to organizations composed of public officials representative of the political jurisdictions within the metropolitan area, region, or district for the purpose of assisting such organizations to undertake studies, collect data, develop metropolitan, regional, and district plans and programs, and engage in such other activities including implementation of such plans as the Secretary finds necessary or desirable for the solution of the metropolitan, regional, or district problems in such areas, regions, or districts. To the maximum extent feasible, all grants under this subsection shall be for activities relating to all the developmental aspects of the total metropolitan area, region, or district including, but not limited to, land use, transportation, housing, economic development, natural resources development, community facilities, and the general improvement of living environments. A grant under this subsection shall not exceed two-thirds of the estimated cost of the work for which the grant is made.

"(h) In addition to the other grants authorized by this section, the Secretary is authorized to make grants to assist any city, other municipality, or county in making a survey of the structures and sites in such locality which are determined by its appropriate authorities to be of historic or architectural value. Any such survey shall be designed to identify the historic structures and sites in the locality, determine the cost of their rehabilitation or restoration, and provide such other information as may be necessary or appropriate to serve as a foundation for a balanced and effective program of historic preservation in such locality. The aspects of any such survey which relate to the identification of historic and architectural values shall be conducted in accordance with criteria found by the Secretary to be comparable to those used in establishing the national register maintained by the Secretary of the Interior under other provisions of law; and the results of each such survey shall be made available to the Secretary of the Interior. A grant under this subsection shall not exceed two-thirds of the cost of the survey for which it is made, and shall be made to the appropriate agency or entity specified in paragraphs (1) through (11) of subsection (a) or, if there is no such agency or entity which is qualified and willing to receive the grant and provide for its utilization in accordance with this subsection, directly to the city, other municipality, or county involved.

"(i) As used in this section—

"(1) The term 'metropolitan area' means a standard metropolitan statistical area, as established by the Bureau of the Budget, subject, however, to such modifications or extensions as the Secretary deems to be appropriate for the purposes of this section.

"(2) The term 'region' includes (A) all or part of the area of jurisdiction of one or more units of general local government, and (B) one or more metropolitan areas.

"(3) The term 'district' includes all or part of the area of jurisdiction of (A) one or more counties, and (B) one or more other units of general local government, but does not include any portion of a metropolitan area.

"(4) The term 'comprehensive planning' includes the following:

"(A) preparation, as a guide for governmental policies and action, of general plans with respect to (i) the pattern and intensity of land use, (ii) the provision of public facilities (including transportation facilities) and other government services, and (iii) the effective development and utilization of human and natural resources;

"(B) long-range physical and fiscal plans for such action;

"(C) programing of captial improvements and other major expenditures, based on a determination of relative urgency, together with definitive financing plans for such expenditures in the earlier years of the program;

"(D) coordination of all related plans and activities of the State and local governments and agencies concerned; and

"(E) preparation of regulatory and administrative measures in support of the foregoing.

Comprehensive planning for the purpose of districts shall not include planning for or assistance to establishments in relocating from one area to another or assist subcontractors whose purpose is to divest, or whose economic success is dependent upon divesting, other contractors or subcontractors of contracts theretofore customarily performed by them; *Provided,* That this limitation shall not be construed to phohibit assistance for the expansion of an existing business entity through the establishment of a new branch, affiliate, or subsidiary of such entity, if the Secretary finds that the establishment of such branch, affiliate or subsidiary will not result in an increase in unemployment in the area of original location or in any other area where such entity conducts business operations, unless the Secretary has reason to believe that such branch, affiliate, or subsidiary is being established with the intention of closing down the operations of the existing business entity in the area of its original location or in any other area where it conducts such operations.

"(5) The term 'State planning agencies' includes official State planning agencies and (in States where no such planning agency exists) agencies or instrumentalities of State government designated by the Governor of the State and acceptable to the Secretary.

"(6) The terms 'metropolitan planning agencies', 'regional planning agencies', and 'district planning agencies' mean official metropolitan, regional, and district planning agencies, or other agencies and instrumentalities designated by the Governor (or Governors in the case of interstate planning), and acceptable to the Secretary, empowered under State or local law or interstate compact to perform metropolitan, regional, or district planning, respectively: *Provided,* That such agencies and instrumentalities shall, to the greatest practicable extent, be composed of or responsible to the elected officials of the unit or units of general local government for whose jurisdictions they are empowered to engage in planning."

PLANNED AREAWIDE DEVELOPMENT

SEC. 502. (a) The heading of title II of the Demonstration Cities and Metropolitan Development Act of 1966 is amended to read as follows: "TITLE II—PLANNED AREAWIDE DEVELOPMENT".

(b) Section 201 of such Act is amended to read as follows:

"FINDINGS AND DECLARATION OF PURPOSE

"SEC. 201. (a) The Congress hereby finds that the welfare of the Nation and of its people is directly dependent upon the sound and orderly development and the effective organization and functioning of our State and local governments.

"It further finds that it is essential that our State and local governments prepare, keep current, and carry out comprehensive plans and programs for their orderly physical development with a view to meeting efficiently all their economic and social needs.

"It further finds that our State and local governments are especially handicapped in this task by the complexity and scope of governmental services required, the multiplicity of political jurisdictions and agencies involved, and the inadequacy of the operational and administrative arrangements available for cooperation among them.

"It further finds that present requirements for areawide planning and programing in connection with various Federal programs have materially assisted in the solution of areawide problems, but that greater

coordination of Federal programs and additional participation and cooperation are needed from the States and localities in perfecting and carrying out such efforts.

"(b) It is the purpose of this title to provide through greater coordination of Federal programs, and through supplementary grants for certain federally assisted development projects, additional encouragement and assistance to States and localities for making comprehensive areawide planning and programing effective."

(c) Section 202 of such Act is amended by striking out "metropolitan" each place it appears and inserting in lieu thereof "areawide".

(d)(1) Section 205 of such Act is amended by striking out "metropolitan development" each place it appears and inserting in lieu thereof "areawide development".

(2) Such section is further amended by striking out "metropolitan areas" and "metropolitan area" and inserting in lieu thereof "areas" and "area", respectively.

(3) Such section is further amended by striking out "metropolitanwide" each place it appears, and inserting in lieu thereof "areawide".

(4) Such section is further amended by striking out "metropolitan planning" each place it appears and inserting in lieu thereof "areawide planning".

(5) Such section is further amended by inserting "where appropriate," after "(B)" in subsection (c)(1).

(6) Such section is further amended by striking out "within the metropolitanwide area" in subsection (f).

(e)(1) Paragraphs (1) and (2) of section 208 of such Act are amended by striking out "Metropolitan" and inserting in lieu thereof "Areawide".

(2) Paragraph (7) of such section is amended—

(A) by striking out "or metropolitan or regional" and inserting in lieu thereof ", metropolitan, regional, or district"; and

(B) by striking out "metropolitan" in the parenthetical phrase.

(f) Section 206(b) of such Act is amended by striking out the second sentence and inserting in lieu thereof the following: "Any amounts appropriated under this section shall remain available until expended, and any amounts authorized for any fiscal year under this section but not appropriated may be appropriated for any succeeding fiscal year commencing prior to July 1, 1970."

ADVANCE ACQUISITION OF LAND

SEC. 503. (a) Section 701 of the Housing and Urban Development Act of 1965 is amended by striking out "in connection with the future construction of public works and facilities" in clause (3) and inserting in lieu thereof "in the future for public purposes".

(b) Section 704 of such Act is amended to read as follows:

"ADVANCE ACQUISITION OF LAND

"SEC. 704. (a) In order to encourage and assist the timely acquisition of land planned to be utilized in the future for public purposes, the Secretary is authorized to make grants to States and local public bodies and agencies to assist in financing the acquisition of a fee simple estate or other interest in such land.

"(b) The amount of any grant made under this section shall not exceed the aggregate amount of reasonable interest charges on the loans or other financial obligations incurred to finance the acquisition of such land for a period not in excess of the lesser of (1) five years from the date of acquisition of such land or (2) the period of time between the date on which the land was acquired and the date its use began for the purpose for which it was acquired: *Provided*, That where all or any portion of the cost of such land is not financed through borrowings, the amount of the grant shall be computed on the basis of the aggregate amount of reasonable interest charges that the Secretary determines would have been required.

"(c) No grant shall be made under this section unless the Secretary determines that the land will be utilized for a public purpose within a reasonable period of time and that such utilization will contribute to economy, efficiency, and the comprehensively planned development of the area. The Secretary shall in all cases require that land acquired with the assistance of a grant under this section be utilized for a public purpose within five years after the date on which a contract to make such grant is entered into, unless the Secretary (1) determines that due to unusual circumsances a longer period of time is necessary and in the public interest, and (2) reports such determination promptly to the Committees on Banking and Currency of the Senate and House of Representatives.

"(d) No land acquired with assistance under this sectiion shall, without approval of the Secretary, be diverted from the purpose originally approved. The Secretary shall approve no such diversion unless he finds that the diversion is in accord with the then applicable comprehensive plan for the area. In cases of a diversion of land to other than a public purpose, the Secretary may require repayment of the grant, or substitution of land of approximately equal fair market value, whichever he deems appropriate. An interim use of the land for a public or private purpose in accordance with standards prescribed by the Secretary, or approved by him, shall not constitute a diversion within the meaning of this subsection.

"(e) Notwithstanding any other provision of law, no project for which land is acquired with assistance under this section shall, solely as a result of such advance acquisition, be considered ineligible for the purpose of any other Federal loan or grant program, and the amount of the purchase price paid for the land by the recipient of a grant under this section may be considered an eligible cost for the purpose of such other Federal loan or grant program."

WATER AND SEWER FACILITIES PROGRAM

SEC. 504. (a) Section 702(c) of the Housing and Urban Development Act of 1965 is amended by striking out "July 1, 1968" and inserting in lieu thereof "October 1, 1969".

(b) Section 702(b) of such Act is amended—

(1) by inserting after "community" the first time it appears the following: ", or an unincorporated area served by a water district or improvement district," ;

(2) by inserting after "community" each subsequent time it appears the following: "or area"; and

(3) by striking out "a basic public sewer facility" and inserting in lieu thereof "a basic public water or sewer facility".

(c) Section 702 of such Act is amended by adding at the end thereof a new subsection as follows:

"(d) In the administration of this section the Secretary shall require that, to the greatest extent practicable, new job opportunities be provided for unemployed or underemployed persons in connection with projects the financing of which is assisted under this section."

AUTHORIZATIONS FOR THE WATER AND SEWER FACILITIES, NEIGHBORHOOD FACILITIES, AND ADVANCE ACQUISITION OF LAND PROGRAMS

SEC. 505. (a) Section 708(b) of the Housing and Urban Development Act of 1965 is amended by striking out "July 1, 1969" and inserting in lieu thereof "July 1, 1970".

(b) Section 708(a) of such Act is amended by striking out "$200,000,000 for grants under section 702" and inserting in lieu thereof "$200,000,000 (or $500,000,000 in the case of any such fiscal year commencing after June 30, 1967) for grants under section 702".

OPEN-SPACE LAND PROGRAM

SEC. 506. (a) Section 702(b) of the Housing Act of 1961 is amended to read as follows:

"(b) There are authorized to be appropriated, for the purpose of making grants under this title, not to exceed $310,000,000 prior to July 1, 1969, and not to exceed $460,000,000 prior to July 1, 1970. Any amounts appropriated under this section shall remain available until expended."

(b) Section 708(b) of such Act is amended by striking out "$50,000" and inserting in lieu thereof "$125,000".

AUTHORIZING TO MAKE FEASIBILITY STUDIES IN THE PUBLIC WORKS PLANNING ADVANCES PROGRAM

SEC. 507. Section 702(a) of the Housing Act of 1954 is amended by inserting after "to aid in financing the cost of" the following: "feasibility studies,".

REPEAL OF 1966 PROVISION FOR COORDINATION OF FEDERAL AIDS IN METROPOLITAN AREAS

SEC. 508. Section 204 of the Demonstration Cities and Metropolitan Development Act of 1966 is repealed.

TITLE VI—URBAN MASS TRANSPORTATION

GRANT AUTHORIZATIONS

SEC. 601. (a) Section 4(b) of the Urban Mass Transportation Act of 1964 is amended (1) by striking out the word "and" where it first appears in the first sentence, and (2) by inserting before the period at the end of the first sentence "; and $190,000,000 for fiscal year 1970".

(b) Section 6(c) of such Act is amended (1) by striking out "$50,000,000" and inserting in lieu thereof "$56,000,000", and (2) by inserting at the end thereof the following: "On or after July 1, 1969, the Secretary may make available to finance projects under this section such additional sums out of the grant authorization provided in section 4(b) as he deems appropriate."

DEFINITION OF MASS TRANSPORTATION

SEC. 602. Section 12(c)(5) of the Urban Mass Transportation Act of 1964 is amended to read as follows:

"(5) the term 'mass transportation' means transportation by bus, rail, or other conveyance, either publicly or privately owned, which provides to the public general or special service (but not including school buses or charter or sightseeing service) on a regular and continuing basis."

EXTENSION OF EMERGENCY PROGRAM UNDER THE URBAN MASS TRANSPORTATION ACT

SEC. 603. Section 5 of the Urban Mass Transportation Act of 1964 is amended by striking out "November 1, 1968" and inserting in lieu thereof "October 1, 1969".

NON-FEDERAL SHARE OF NET PROJECT COST

SEC. 604. (a) Section 4(a) of the Urban Mass Transportation Act of 1964 is amended by striking out the last sentence and inserting in lieu thereof the following: "The remainder of the net project cost shall be provided, in cash, from sources other than Federal funds. Not more than 50 per centum of such remainder may be provided from other than public sources, and any public or private transit system funds shall be provided solely from undistributed cash surpluses, replacement or depreciation funds or reserves available in cash, or new capital; except that in cases of demonstrated fiscal inability of an applicant actively engaged in preparing and effectuating a program for a unified or officially coordinated urban transportation system as part of the comprehensively planned development of the urban area, such remainder may be provided from other than public sources. No refund or reduction of the remainder of the net project cost shall be made at any time unless there

is at the same time a refund of a proportional amount of the Federal grant."

(b) Section 5 of such Act is amended by striking out the last sentence and inserting in lieu thereof the following: "The remainder of the net project cost shall be provided, in cash, from sources other than Federal funds. Not more than 50 per centum of such remainder may be provided from other than public sources, and any public or private transit system funds shall be provided solely from undistributed cash surpluses, replacement or depreciation funds or reserves available in cash, or new capital; except that in cases of demonstrated fiscal inability of an applicant actively engaged in preparing and effectuating a program for a unified or officially coordinated urban transportation system as part of the comprehensively planned development of the urban area, such remainder may be provided from other than public sources. No refund or reduction of the remainder of the net project cost shall be made at any time unless there is at the same time a refund of a proportional amount of the Federal grant."

TITLE VII—SECONDARY MORTGAGE MARKET

PURPOSES

SEC. 701. The purposes of this title include the partition of the Federal National Mortgage Association as heretofore existing into two separate and distinct corporations, each of which shall have continuity and corporate succession as a separated portion of the previously existing corporation. One of such corporations, to be known as Federal National Mortgage Association, will be a Government-sponsored private corporation, will retain the assets and liabilities of the previously existing corporation accounted for under section 304 of the Federal National Mortgage Association Charter Act, and will continue to operate the secondary market operations authorized by such section 304. The other, to be known as Government National Mortgage Association, will remain in the Government, will retain the assets and liabilities of the previously existing corporation accounted for under sections 305 and 306 of such Act, and will continue to operate the special assistance functions and management and liquidating functions authorized by such sections 305 and 306.

AMENDMENTS TO THE FEDERAL NATIONAL MORTGAGE ASSOCIATION CHARTER ACT

SEC. 702. (a) The heading of title III of the National Housing Act is amended by striking out "FEDERAL NATIONAL MORTGAGE ASSOCIATION" and inserting in lieu thereof "NATIONAL MORTGAGE ASSOCIATIONS".

(b) Section 301 of such Act is amended—

(1) by striking out "in the Federal Government a";

(2) by striking out "facility for" and inserting in lieu thereof "facilities for";

(3) by striking out "of such facility" and inserting in lieu thereof "thereof";

(4) by striking out "facility to" and inserting in lieu thereof "facilities to"; and

(5) by striking out "the existing mortgage portfolio of the Federal National Mortgage Association" and inserting in lieu thereof "federally owned mortgage portfolios".

(c) Section 302(a) of such Act is amended—

(1) by inserting "(1)" immediately following "(a)";

(2) by striking out "(hereinafter referred to as the 'Association')"; and

(3) by adding at the end thereof the following new paragraph:

"(2) On the effective date established pursuant to section 708 of the Housing and Urban Development Act of 1968, the body corporate described in the foregoing paragraph shall cease to exist in that form and is hereby paritioned into two separate and distinct bodies corporate, each of which shall have continuity and corporate succession as a separated portion of the previously existing body corporate, as follows:

"(A) One of such separated portions shall be a body corporate without capital stock to be known as Goverment National Mortgage Association (hereinafter referred to as the 'Association'), which shall be in the Department of Housing and Urban Development and which shall retain the assets and liabilities acquired and incurred under sections 305 and 306 prior to such effective date, including any and all liabilities incurred pursuant to section 302(c). The Association shall have succession until dissolved by Act of Congress. It shall maintain its principal office in the District of Columbia and shall be deemed, for purposes of venue in civil actions, to be a resident thereof. Agencies or offices may be established by the Association in such other place or places as it may deem necessary or appropriate in the conduct of its business.

"(B) The other such separated portion shall be a body corporate to be known as Federal National Mortgage Association (hereinafter referred to as the 'corporation'), which shall retain the assets and liabilities acquired and incurred under sections 303 and 304 prior to such effective date. The corporation shall have succession until dissolved by Act of Congress. It shall maintain its principal office in the District of Columbia and shall be deemed, for purposes of venue in civil actions, to be a resident thereof.".

(d) Section 302(b) of such Act is amended—

(1) by striking out "the Association is authorized" and inserting in lieu thereof "each of the bodies corporate named in subsection (a)(2) is authorized";

(2) by striking out "lend (under section 304) on the security of,";

(3) by inserting immediately before the colon in the first sentence "; and the corporation is authorized to lend on the security of any such mortgages and to purchase, sell, or otherwise deal in any securities guaranteed by the Association under section 306(g)"; and

(4) by striking out "no mortgage may be purchased" and inserting in lieu thereof "the Association may not purchase any mortgage".

(e) Section 302(c)(1) of such Act is amended by striking out ", consistent with section 307,".

(f) Section 302(c)(2)(C) of such Act is amended to read as follows:

"(C) The Department of Housing and Urban Development.".

(g) Section 302(c)(2) of such Act is amended by striking out "incurred by the Federal National Mortgage" and inserting in lieu thereof "incurred by the".

(h) The heading of section 303 of such Act is amended to read as follows: "CAPITALIZATION—FEDERAL NATIONAL MORTGAGE ASSOCIATION".

(i) Section 303(a) of such Act is amended—

(1) by striking out "nonvoting common stock" and inserting in lieu thereof "common stock, without par value, which shall be vested with all voting rights, each share being entitled to one vote with rights of cumulative voting at all elections of directors";

(2) by striking out "nonvoting preferred stock" and inserting in lieu thereof "nonvoting preferred stock, with a par value of $100 per share,";

(3) by striking out the second and third sentences thereof and inserting in lieu thereof "The free transferability of the common stock at all times to any person, firm, corporation, or other entity shall not be restricted except that, as to the corporation, it shall be transferable only on the books of the corporation.";

(4) by striking out "of the capital surplus and the general surplus accounts";

(5) by striking out "retire" and inserting in lieu thereof "retire, at par,"; and

(6) by striking out "the Association shall deem feasible" and inserting in lieu thereof "possible subsequent to the effective date established pursuant to section 708 of the Housing and Urban Development Act of 1968".

(j) Section 303(b) of such Act is amended—

(1) by striking out "for its services" and inserting in lieu thereof ", which may be regarded as elements of pricing,"; and

(2) by striking out the last sentence.

(k) Section 303(c) of such Act is amended—

(1) by striking out "(only in denominations of $100 or multiples thereof)";

(2) by inserting immediately after the first sentence the following: "In addition to the shares of common stock issued under the fore-going sentence, the corporation may issue additional shares in return for appropriate payments into capital or capital and surplus. The corporation shall at all times require each servicer of its mortgages to own a minimum amount of common stock of the corporation, measured by its stated value. Such minimum amount shall not exceed 2 per centum, as determined from time to time by the corporation with the approval of the Secretary of Housing and Urban Development, of the aggregate outstanding principal balances of all mortgages of the corporation which have been purchased subsequent to the effective date established pursuant to section 708 of the Housing and Urban Development Act of 1968 and which are then serviced by such servicer for the corporation."; and

(3) by striking out "the general surplus account of the Association shall not be reduced through the payment of dividends applicable to such common stock which exceed in the aggregate 5 per centum of the par value of the outstanding common stock of the Association" and inserting in lieu thereof "the aggregate amount of cash dividends paid on account of any share of such stock shall not exceed any rate which may be determined from time to time by the Secretary of Housing and Urban Development to be a fair rate of return after consideration of the current earnings and capital condition of the corporation".

(l) Section 303(d) of such Act is amended by striking out "$225,000,000" and inserting in lieu thereof $225,000,000; but no such stock may be issued subsequent to the effective date established pursuant to section 708 of the Housing and Urban Development Act of 1968".

(m) Section 303(f) of such Act is amended by striking out "contributions, and" and inserting in lieu thereof "contributions, to purchase additional shares of such stock, and".

(n) Section 303(g) of such Act is repealed.

(o) The heading of section 304 of such Act is amended to read as follows: "SECONDARY MARKET OPERATIONS—FEDERAL NATIONAL MORTGAGE ASSOCIATION".

(p) Section 304(a)(1) of such Act is amended by striking out "and the Association shall not purchase any mortgage insured or guaranteed prior to the effective date of the Housing Act of 1954".

(q) Section 304(b) of such Act is amended by striking out "earnings, and in" and inserting in lieu thereof "earnings unless a greater ratio shall be fixed at any time or from time to time by its board of directors. In".

(r) Section 304(c) of such Act is amended by striking out "(1) all of the preferred stock of the Association held by the Secretary of the Treasury has been retired, or (2)".

(s) Sections 303 and 304 of such Act, as amended by the foregoing subsections of this section, are further amended—

(1) by striking out "Association" each place it appears and inserting in lieu thereof, in each such place, "corporation"; and

(2) by striking out "Association's" each place it appears and inserting in lieu thereof, in each such place, "corporation's".

(t) The heading of section 305 of such Act is amended to read as follows: "SPECIAL

ASSISTANCE FUNCTIONS—GOVERNMENT NATIONAL MORTGAGE ASSOCIATION".

(u) The heading of section 306 of such Act is amended to read as follows: "MANAGEMENT AND LIQUIDATING FUNCTIONS—GOVERNMENT NATIONAL MORTGAGE ASSOCIATION".

(v) Subsections (a) and (b) of section 307 of such Act are repealed.

(w) Section 307 of such Act is further amended—

(1) by striking out "SEC. 307.";

(2) by striking out "(c) All of the benefits and burdens incident to the administration of" and inserting in lieu thereof the following:

"SEC. 307. All of the benefits and burdens incident to the administration of"; and

(3) by striking out "board of directors of the Association" and inserting in lieu thereof "Secretary of Housing and Urban Development".

(x) The heading of section 308 of such Act is amended to read as follows: "MANAGEMENT".

(y) Section 308 of such Act is amended—

(1) by inserting "(a)" immediately following "308";

(2) by striking out the first two sentences and inserting in lieu thereof "All the powers and duties of the Government National Mortgage Association shall be vested in the Secretary of Housing and Urban Development and the Association shall be administered under the direction of the Secretary.";

(3) by striking out "the board shall determine" and inserting in lieu thereof "the Secretary shall determine";

(4) by striking out "Association. The chairman of the board" and inserting in lieu thereof "Association, and shall have power to adopt, amend, and repeal bylaws governing the performance of the powers and duties granted to or imposed upon it by law. The Secretary";

(5) by striking out "by the board of directors," and inserting in lieu thereof "by the Secretary,";

(6) by striking out the last sentence; and

(7) by adding at the end thereof the following new subsection:

"(b) The Federal National Mortgage Association shall have a board of directors which shall consist of fifteen persons, one-third of whom shall be appointed annually by the President of the United States, and the remainder of whom shall be elected annually by the common stockholders. The board shall at all times have as members appointed by the President at least one person from the homebuilding industry, at least one person from the mortgage lending industry, and at least one person from the real estate industry. Each member of the board of directors shall be appointed or elected for a term ending on the date of the next annual meeting of the stockholders, except that any such member may be removed from office by the President for good cause. Any elective seat on the board which becomes vacant after the annual election of the directors shall be filled by the board, but only for the unexpired portion of the term. Any appointive seat which becomes vacant shall be filled by appointment of the President, but only for the unexpired portion of the term. Within the limitations of law and regulation, the board shall determine the general policies which shall govern the operations of the corporation, and shall have power to adopt, amend, and repeal bylaws governing the performance of the powers and duties granted to or imposed upon it by law. The board of directors shall select and effect the appointment of qualified persons to fill the offices of president and vice president, and such other offices as may be provided for in the bylaws. Any member of the board who is a full-time officer or employee of the Federal Government shall not, as such member, receive compensation for his services."

(z) Section 309(a) of such Act is amended—

(1) by striking out "The Association" and inserting in lieu thereof "Each of the bodies corporate named in section 302(a)(2)";

(2) by striking out "by its board of directors, to adopt, amend, and repeal bylaws governing the performance of the powers and duties granted to or imposed upon it by law;";

(3) by striking out "conduct its business" and inserting in lieu thereof "conduct its business without regard to any qualification or similar statute";

(4) by striking out "the Association may deem" and inserting in lieu thereof "it may deem"; and

(5) by striking out "the purposes of the Association" and inserting in lieu thereof "its purposes".

(aa) Section 309(c) of such Act is amended—

(1) by striking out "(1)";

(2) by striking out "The Association" and inserting in lieu thereof "(1) The Association";

(3) by striking out ", and (2) the Association shall, with respect to its secondary market operations under section 304 after the cutoff date referred to in section 303(d) of this title, pay annually to the Secretary of the Treasury, for covering into miscellaneous receipts, an amount equivalent to the amount of Federal income taxes for which it would be subject if it were not exempt from such taxes with respect to such secondary market operations"; and

(4) by adding at the end thereof the following new paragraph:

"(2) The corporation, including its franchise, capital, reserves, surplus, mortgages or other security holdings, and income, shall be exempt from all taxation now or hereafter imposed by any State, territory, possession, Commonwealth, or dependency of the United States, or by the District of Columbia, or by any county, municipality, or local taxing authority, except that any real property of the corporation shall be subject to State, territorial, county, municipal, or local taxation to the same extent as other real property is taxes."

(bb) Section 309(d) of such Act is amended—

(1) by inserting "(1)" immediately following "(d)";

(2) by striking out "Chairman of the Board" and inserting in lieu thereof "Secretary of Housing and Urban Development";

(3) by striking out "agents," and inserting in lieu thereof "agents of the Association,"; and

(4) by adding at the end thereof the following new paragraph:

"(2) The board of directors of the corporation shall have the power to select and appoint or employ such officers, attorneys, employees, and agents, to vest them with such powers and duties, and to fix and to cause the corporation to pay such compensation to them for their services, as it may determine; and any such action shall be without regard to the Federal civil service and classification laws. Appointments, promotions, and separations so made shall be based on merit and efficiency, and no political test or qualification shall be permitted or given consideration. Each officer and employee of the corporation who is employed by the corporation prior to the termination of the transitional period referred to in section 710(b) of the Housing and Urban Development Act of 1968 and who on the day previous to the beginning of such employment will have been subject to the civil service retirement law (subch. III of ch. 83 of title 5, United States Code) shall, so long as his employment by the corporation continues without a break in continuity of service, continue to be subject to such law; and for the purpose of such law his employment by the corporation without a break in continuity of service shall be deemed to be employment by the Government of the United States. The corporation shall contribute to the Civil Service Retirement and Disability Fund a sum as provided by section 8334(a) of title 5, United States Code, except that such sum shall be determined by applying to the total basic pay (as defined in 5 U.S.C. 8331(3) and except as hereinafter provided) paid to the employees of the corporation who are covered by the civil service retirement law, the per centum rate determined annually by the United States Civil Service Commission to be the excess of the total normal cost per centum rate of the civil service retirement system over the employee deduction rate specified in section 8334(a) of title 5, United States Code. The corporation shall also pay into the Civil Service Retirement and Disability Fund such portion of the cost of administration of the fund as is determined by the United States Civil Service Commission to be attributable to its employees. Notwithstanding the foregoing provisions, there shall not be considered for the purposes of the civil service retirement law that portion of the basic pay in any one year of any officer or employee of the corporation which exceeds the basic pay provided for in section 5312 of title 5, United States Code, on the last day of such year. Except as provided in this subsection, the corporation shall not be subject to the provisions of title 5, United States Code."

(cc) Section 309(e) of such Act is amended—

(1) by striking out "body corporate created by section 302" and inserting in lieu thereof "bodies corporate named in section 302(a)(2)";

(2) by inserting ", 'Government National Mortgage Association'," immediately following " 'Federal National Mortgage Association' "; and

(3) by striking out the second sentence and inserting in lieu thereof the following: "Violations of the foregoing sentence may be enjoined by any court of general jurisdiction at the suit of the proper body corporate. In any such suit, the plaintiff may recover any actual damages flowing from such violation, and, in addition, shall be entitled to punitive damages (regardless of the existence or nonexistence of actual damages) of not exceeding $100 for each day during which such violation is committed or repeated."

(dd) Section 309(g) of such Act is amended to read as follows:

"(g) The Federal Reserve banks are authorized and directed to act as depositaries, custodians, and fiscal agents for each of the bodies corporate named in section 302(a)(2), for its own account or as fiduciary, and such banks shall be reimbursed for such services in such manner as may be agreed upon; and each of such bodies corporate may itself act in such capacities, for its own account or as fiduciary, and for the account of others."

(ee) Section 309 of such Act is amended by adding at the end thereof the following new subsection:

"(h) The Secretary of Housing and Urban Development shall have general regulatory power over the Federal National Mortgage Association and shall make such rules and regulations as shall be necessary and proper to insure that the purposes of this title are accomplished. No stock, obligation, security, or other instrument shall be issued by the corporation without the prior approval of the Secretary. The Secretary may require that a reasonable portion of the corporation's mortgage purchases be related to the national goal of providing adequate housing for low and moderate income families, but with reasonable economic return to the corporation. The Secretary may examine and audit the books and financial transactions of the corporation, and he may require the corporation

to make such reports on its activities as he deems advisable."

(ff) Section 311 of such Act is amended—

(1) by striking out "the Association" and inserting in lieu thereof "either of the bodies corporate named in section 302(a)(2)"; and

(2) by adding at the end thereof the following: "All stock, obligations, securities, participations, or other instruments issued pursuant to this title shall, to the same extent as securities which are direct obligations of or obligations guaranteed as to principal or interest by the United States, be deemed to be exempt securities within the meaning of laws administered by the Securities and Exchange Commission; but all such issuances shall be made only with the approval of the Secretary of Housing and Urban Development."

PARTICIPATIONS

SEC. 703. Section 302(c)(5) of the National Housing Act is amended by inserting at the end thereof the following: "In the event that the insufficiency required by the trustee is on account of principal maturities of outstanding beneficial interests or participations authorized to be issued pursuant to paragraph (4) of this subsection, or pursuant hereto, the trustee is authorized to elect to issue additional beneficial interests or participations for refinancing purposes in lieu of requiring any trustor or trustors to make payments to the trustee from appropriated funds or other sources. Each such issue of beneficial interests or participations shall be in an amount determined by the trustee but not in excess of the aggregate amount which the trustee would otherwise require the trustor or trustors to pay from appropriated funds or other sources, and may be issued without regard to the provisions of paragraph (4) of this subsection. All refinancing issues of beneficial interests or participations shall be deemed to have been issued pursuant to the authority contained in the appropriation Act or Acts under which the beneficial interests or participations were originally issued."

MORTGAGE-BACKED SECURITIES

SEC. 704. (a) Section 304 of the National Housing Act is amended by adding at the end thereof the following new subsection:

"(d) To provide a greater degree of liquidity to the mortgage investment market and an additional means of financing its operations under this section, the corporation is authorized to set aside any mortgages held by it under this section, and, upon approval of the Secretary of the Treasury, to issue and sell securities based upon the mortgages so set aside. Securities issued under this subsection may be in the form of debt obligations or trust certificates of beneficial interest, or both. Securities issued under this subsection shall have such maturities and bear such rate or rates of interest as may be determined by the corporation with the approval of the Secretary of the Treasury. Securities issued by the corporation under this subsection shall, to the same extent as securities which are direct obligations of or obligations guaranteed as to principal and interest by the United States, be deemed to be exempt securities within the meaning of laws administered by the Securities and Exchange Commission. Mortgages set aside pursuant to this subsection shall at all times be adequate to enable the corporation to make timely principal and interest payments on the securities issued and sold pursuant to this subsection."

(b) Section 306 of such Act is amended by adding at the end thereof the following new subsection:

"(g) The Association is authorized, upon such terms and conditions as it may deem appropriate, to guarantee the timely payment of principal of and interest on such trust certificates or other securities as shall (1) be issued by the corporation under section 304(d), or by any other issuer approved for the purposes of this subsection by the Association, and (2) be based on and backed by a trust or pool composed of mortgages which are insured under the National Housing Act or title V of the Housing Act of 1949, or which are insured or guaranteed under the Servicemen's Readjustment Act of 1944 or chapter 37 of title 38, United States Code. The Association shall collect from the issuer a reasonable fee for any guaranty under this subsection and shall make such charges as it may determine to be reasonable for the analysis of any trust or other security arrangement proposed by the issuer. In the event the issuer is unable to make any payment of principal of or interest on any security guaranteed under this subsection, the Association shall make such payment as and when due in cash, and thereupon shall be subrogated fully to the right satisfied by such payment. Any Federal, State, or other law to the contrary notwithstanding, the Association is hereby empowered, in connection with any guaranty under this subsection, whether before or after any default, to provide by contract with the issuer for the extinguishment, upon default by the issuer, of any redemption, equitable, legal, or other right, title, or interest of the issuer in any mortgage or mortgages constituting the trust or pool against which the guaranteed securities are issued; and with respect to any issue of guaranteed securities, in the event of default and pursuant otherwise to the terms of the contract, the mortgages that constitute such trust or pool shall become the absolute property of the Association subject only to the unsatisfied rights of the holders of the securities based on and backed by such trust or pool. The full faith and credit of the United States is pledged to the payment of all amounts which may be required to be paid under any guaranty under this subsection. There shall be excluded from the total amounts set forth in subsection (c) the amounts of any mortgages acquired by the Association as a result of its operations under this subsection."

SUBORDINATED AND CONVERTIBLE OBLIGATIONS

SEC. 705. Section 304 of the National Housing Act is amended by adding thereto (after subsection (d) as added by section 704 of this Act) the following new subsection:

"(e) For the purposes of this section, the corporation is authorized to issue, upon the approval of the Secretary of the Treasury, obligations which are subordinated to any or all other obligations of the corporation, including subsequent obligations. The obligations issued under this subsection shall have such maturities and bear such rate or rates of interest as may be determined by the corporation with the approval of the Secretary of the Treasury and may be made redeemable at the option of the corporation before maturity in such manner as may be stipulated in such obligations. Any of such obligations may be made convertible into shares of common stock in such manner, at such price or prices, and at such time or times as may be stipulated therein. The total principal amount of such subordinated obligations which may be outstanding at any one time shall not exceed two times the sum of (1) the capital of the corporation represented by its outstanding common stock and (2) its surplus and undistributed earnings at such time. The outstanding total principal amount of such obligations which are entirely subordinated to the obligations of the corporation issued or to be issued under subsection (b) shall be deemed to be capital of the corporation for the purpose of determining the aggregate amount of obligations issued under subsection (b) which may be outstanding at any one time. Obligations issued by the corporation under this subsection shall, to the same extent as securities which are direct obligations of or obligations guaranteed as to principal or interest by the United States, be deemed to be exempt securities within the meaning of laws administered by the Securities and Exchange Commission. The corporation shall insert appropriate language in all of its obligations issued under this subsection clearly indicating that such obligations, together with the interest thereon, are not guaranteed by the United States and do not constitute a debt or obligation of the United States or of any agency or instrumentality thereof other than the corporation. The corporation is authorized to purchase in the open market any of its obligations outstanding under this subsection at any time and at any price."

SPECIAL ASSISTANCE AUTHORIZATION

SEC. 706. Section 305(c) of the National Housing Act is amended—

(1) by striking out "and" after "July 1, 1967,"; and

(2) by striking out the period and inserting in lieu thereof ", and by $500,000,000 in July 1, 1969."

AMENDMENTS TO OTHER LAWS

SEC. 707. (a) Section 306(b) of the Housing Act of 1959 is amended by striking out "Federal National Mortgage Association pursuant" and inserting in lieu thereof "Government National Mortgage Association pursuant".

(b) Section 312(d) of the Housing Act of 1964 is amended by striking out "Federal" and inserting in lieu thereof "Government".

(c) Section 5(b) of the Department of Housing and Urban Development Act is amended—

(1) by striking out "The Federal" and inserting in lieu thereof "The Government"; and

(2) by striking out ", and the position of the President of said Association is hereby allocated among the positions referred to in section 7(c) hereof".

(d) Section 7(b) of the Department of Housing and Urban Development Act is repealed.

(e) Section 101 of the Government Corporation Control Act is amended by striking out "Federal National Mortgage Association" and inserting in lieu thereof "Government National Mortgage Association".

(f) Section 13(4)(F) of the Public Buildings Act of 1959 is amended by striking out "Federal" and inserting in lieu thereof "Government".

(g) Section 6(b) of the Participation Sales Act of 1966 is amended by striking out "secondary market operations carried on by the Federal" and inserting in lieu thereof "the Government".

(h) Section 1820(e) of title 38, United States Code, is amended by striking out "Federal National" in three places and inserting in lieu thereof, in each such place, "Government National".

(i) Section 709 of title 18, United States Code, is amended by striking out "Federal National Mortgage Association" each place it appears and inserting in lieu thereof, in each such place, "Government National Mortgage Association".

(j) Section 5136 of the Revised Statutes is amended by inserting "or the Government National Mortgage Association" immediately following "Federal National Mortgage Association".

(k) Section 11(h) of the Federal Home Loan Bank Act is amended by inserting "or the Government National Mortgage Association, in the stock of the Federal National Mortgage Association" immediately following "Federal National Mortgage Association".

(l) Section 16 of the Federal Home Loan Bank Act is amended by inserting "or the Government National Mortgage Association" immediately following "Federal National Mortgage Association".

(m) Section 5(c) of the Home Owners' Loan Act of 1933 is amended by inserting "or

the Government National Mortgage Association," immediately following "Federal National Mortgage Association" and by inserting "or the stock of the Federal National Mortgage Association" immediately after "any other agency of the United States".

(n) Section 8(8)(E) of the Federal Credit Union Act is amended by inserting "or the Government National Mortgage Association" immediately following "Federal National Mortgage Association".

EFFECTIVE DATE

SEC. 708. The amendments made by this title shall be effective from and after a date, no more than one hundred and twenty days following the date of enactment of this Act, as established by the Secretary of Housing and Urban Development. Notice of the establishment of such effective date shall be published in the Federal Register at least thirty days prior thereto.

SAVINGS PROVISIONS

SEC. 709. (a) No cause of action by or against the Federal National Mortgage Association existing prior to the effective date established pursuant to section 708 shall abate by reason of the enactment of this title. Any such cause of action may thereafter be asserted by or against the appropriate corporate body named in section 302(a)(2) of the National Housing Act.

(b) No suit, action, or other proceeding commenced by or against the Federal National Mortgage Association, or any officer thereof in his official capacity, prior to the effective date established pursuant to section 708 shall abate by reason of the enactment of this title. A court may at any time thereafter during the pendency of any such litigation, on its own motion or that of any party, order that the litigation may be maintained by or against the appropriate corporate body named in section 302(a)(2) of the National Housing Act or the appropriate corresponding officer thereof.

TRANSITIONAL PROVISIONS

SEC. 710. (a) On the effective date established pursuant to section 708 of this Act, each share of outstanding nonvoting common stock, with a par value of $100 per share, of the Federal National Mortgage Association shall be changed into and shall become one share of voting common stock, without par value, of such corporation.

(b)(1) The provisions of section 308(b) of the National Housing Act (is added by section 702(y)(7) of this Act) shall be applicable only to the extent that its provisions do not conflict with this subsection.

(2) For a transitional period after the effective date established pursuant to section 708 of this Act, the board of directors of the Federal National Mortgage Association shall consist of nine persons. For a term expiring on the date of the first annual meeting of the corporation's stockholders, all members of the board shall be appointed by the Secretary of Housing and Urban Development. For a term beginning on such date, seven members of the board shall be appointed by the Secretary, and two members shall be elected by the common stockholders. For subsequent terms beginning prior to the termination of the transitional period, five members shall be appointed by the Secretary, and four members shall be elected by the common stockholders. For each term beginning prior to the termination of the transitional period, the Secretary shall appoint as a member of the board the president of the corporation. During the transitional period, the president of the corporation shall be appointed by the President, by and with the advice and consent of the Senate, and may be removed from office by the President for good cause.

(3) The transitional period referred to in paragraph (2) shall come to an end at such time as the board of directors shall find, with the approval of the Secretary, that not less than one-third of the corporation's common stock is owned by persons or institutions in the mortgage lending, homebuilding, real estate, or related businesses; but in no event shall it end sooner than May 1, 1970, or later than May 1, 1973.

(c) From the effective date established pursuant to section 708 and until the retirement of the last of the outstanding shares of its preferred stock, the Federal National Mortgage Association shall be deemed to be a wholly owned corporation for the purposes of the Government Corporation Control Act. Notwithstanding the foregoing provisions of this paragraph, the financial transactions of the Federal National Mortgage Association shall continue to be subject to audit by the General Accounting Office for such period as there may be outstanding obligations of the Federal National Mortgage Association which are guaranteed as to principal or interest by the Government National Mortgage Association.

(d) Those persons who are the officers and employees of the Federal National Mortgage Association immediately prior to the effective date established pursuant to section 708 shall become the officers and employees of the Government National Mortgage Association on such date. The Federal National Mortgage Association and the Government National Mortgage Association shall provide by contract for the conditions and methods under which and by which the Federal National Mortgage Association during the transitional period may employ those individuals who are employees of the Government National Mortgage Association on such effective date; and may provide by contract for the operation by either of such corporations of any of the functions of the other. The Secretary of Housing and Urban Development shall make every reasonable effort to place in other comparable Federal positions any individuals who are career or career-conditional employees of the Government National Mortgage Association on such effective date and who are subsequently during the transitional period neither employed by the Federal National Mortgage Association nor retained by the Government National Mortgage Association.

TITLE VIII—NATIONAL HOUSING PARTNERSHIPS

STATEMENT OF PURPOSE

SEC. 801. The Congress finds that the volume of housing being produced for families and individuals of low or moderate income must be increased to meet the national goal of a decent home and a suitable living environment for every American family, and declares that it is the policy of the United States to encourage the widest possible participation by private enterprise in the provision of housing for low or moderate income families. The Congress has therefore determined that one or more private organizations should be created to encourage maximum participation by private investors in programs and projects to provide low and moderate income housing.

CREATION OF CORPORATIONS

SEC. 802. (a) There is hereby authorized to be created a private corporation for profit (hereinafter in this title referred to as the "corporation"). The corporation will not be an agency or establishment of the United States Government. The corporation shall be subject to the provisions of this title and, to the extent consistent with this title, to the District of Columbia Business Corporation Act (D.C. Code, sec. 29–901 et seq.).

(b) Whenever the President finds it in the national interest to do so, he may cause the creation of an additional corporation or additional corporations to carry out the purposes of this title. All the provisions of this title shall thereupon become applicable to each such corporation, and to the limited partnership formed by it pursuant to section 807.

(c) Nothing in this title shall be construed to preclude private persons from creating other corporations and organizing other partnerships, joint ventures, or associations for the purposes set forth in this title as the purposes of the corporation and the partnership described in section 807.

PROCESS OF ORGANIZATION

SEC. 803. (a) The President of the United States shall appoint, by and with the advice and consent of the Senate, incorporators of the corporation, one of whom shall be designated by the President to serve as chairman. The incorporators shall serve as the initial board of directors until the first annual meeting of stockholders or until their successors are elected and have qualified.

(b) The incorporators shall take whatever actions are necessary or appropriate to establish the corporation, including the filing of articles of incorporation as approved by the President.

(c) The incorporators shall also arrange for an initial offering of shares of stock in the corporation and of interests in the partnership described in section 807 of this title. If the incorporators deem it advisable in order to carry out the purposes of this title, the initial offering may be made upon terms which require the purchase of other securities of the corporation or of interests in such partnership.

DIRECTORS

SEC. 804. The corporation shall have a board of directors (hereinafter in this section referred to as the "board"), consisting of fifteen members. Three members of the board shall be appointed by the President of the United States, by and with the advice and consent of the Senate, effective on the date on which the other members are elected, and for terms of three years or until their successors have been appointed and have qualified, except that the first three members of the board so appointed shall continue in office for terms of one, two, and three years, respectively, and any member so appointed to fill a vacancy shall be appointed only for the unexpired term of the director whom he succeeds. Twelve members of the board shall be elected by the stockholders.

FINANCING THE CORPORATION

SEC. 805. The corporation shall have the power to create and issue the number of shares stated in its articles of incorporation. Such shares may be divided into one or more classes, any or all of which classes may consist of shares with par value or shares without per value, with such designations, preferences, voting powers, and special or relative rights and such limitations, restrictions, or qualifications thereof as shall be stated in the articles of incorporation. The articles of incorporation may limit or deny the voting power of the shares of any class.

PURPOSES AND POWERS OF THE CORPORATION

SEC. 806. (a) In order to achieve the objectives and carry out the purposes of this title, the corporation is authorized to—

(1) plan, initiate, and carry out, pursuant to Federal programs or otherwise, the building or rehabilitation of housing and related facilities primarily for the benefit of families and individuals of low or moderate income;

(2) buy, own, manage, lease, or otherwise acquire or dispose of property in connection with the developments, projects, or undertakings referred to in paragraph (1); and

(3) provide such funds as may be necessary to accomplish the developments, projects, or undertakings referred to in paragraph (1).

(b) Included in the activities authorized to the corporation for the accomplishment of the purposes indicated in subsection (a) of this section are, among others not specifically named—

(1) to enter into partnerships, limited partnerships, joint ventures, and other associations with individuals, corporations, and private and governmental agencies, organizations, and institutions;

(2) to act as manager or general partner of any such partnership, venture, or association;

(3) to conduct or contract for research and studies related to the development, demonstration, and evaluation of improved techniques and methods of constructing, rehabilitating, and maintaining housing;

(4) to provide technical assistance to nonprofit corporations, limited dividend corporations, and others with respect to the planning, financing, construction, rehabilitation, maintenance, and management of housing for low and moderate income families and individuals;

(5) to make loans or grants, including grants of interests in housing and related facilities, to nonprofit corporations, limited dividend corporations, and others, in carrying out its activities under subsection (a) of this section; and

(6) to hire or accept the voluntary services of consultants, experts, advisory boards, and panels to aid the corporation in carrying out the purposes of this title.

(c) To carry out the foregoing purposes and engage in the foregoing activities, the corporation shall have the usual powers conferred upon a stock corporation by the District of Columbia Business Corporation Act.

(d) Nothing in this title shall have the effect of waiving or otherwise affecting the applicability of the provisions of the Davis-Bacon Act (40 U.S.C. 267a—276a-5), or any other law requiring compliance with labor standards, in the case of any construction to which such provisions would otherwise apply.

NATIONAL HOUSING PARTNERSHIP

SEC. 807. (a) The corporation is authorized to arrange for the formation, as a separate organization, of a limited partnership (hereinafter in this title referred to as the "partnership") under the District of Columbia Uniform Limited Partnership Act (D.C. Code, sec. 41–401 et seq.) for the purpose of engaging in any of the activities authorized for the corporation under section 906 of this title, and to enter into a partnership agreement governing the affairs of such limited partnership.

(b) The partnership shall be subject to the provisions, to the extent consistent with this title, of (1) the District of Columbia Uniform Limited Partnership Act and (2) those provisions of the District of Columbia Uniform Partnership Act (D.C. Code, sec. 41–301 et seq.) made applicable by section 6(2) of that Act (D.C. Code, sec. 41–305(2)). Notwithstanding any inconsistency between the provisions of such Acts, or of any other law, and the provisions of this section, the partnership organized pursuant to this section shall be deemed to have the legal status of a limited partnership.

(c) The partnership is authorized to enter into partnerships, limited partnerships, or joint ventures organized under applicable State or local law for the purpose of engaging in low and moderate income housing developments, projects, or undertakings in particular localities.

(d) The corporation shall be the general partner in the partnership. The capital of the partnership and the contributions of the partners shall be in such amounts and at such times as are set forth in or pursuant to the partnership agreement.

(e) The partnership agreement shall include provisions designed to assure that (1) the partnership shall participate in low and moderate income housing developments, projects or undertakings in a manner designed to encourage the participation therein of local interests, and (2) in any such development, project, or undertaking the partnership shall not subscribe to more than 25 per centum (including equity investments made in services or property) of the aggregate initial equity investment unless, in the judgment of the corporation as general partner, the balance of the required equity investment is not readily obtainable from other responsible investors residing or doing business in the local community.

(f) The partnership agreement may without limitation (1) permit each of the stockholders of the corporation to become a member of the partnership as a limited partner, (2) authorize the inclusion of other limited partners in addition to the stockholders of the corporation, (3) provide that the assignee of the partnership interest of a limited partner of the partnership who is also a stockholder of the corporation may not become a substituted limited partner unless he also acquires the assignor's stock of the corporation, and (4) include provisions requiring that the corporation as a general partner approve the substitution or addition of a member of the partnership.

(g) A corporation which is a limited partner in the partnership shall not become liable as a general partner by reason of the fact that (1) such corporation is a holder of shares of voting stock of the corporation constituting not more than 5 per centum of the total number of outstanding shares of such stock and exercises any of the rights (including voting rights) of a holder of such shares, and/or (2) a person who is an officer or director of such corporation (or of another corporation which controls or is subject to the control of, or is under common control with, such corporation) is a director of the corporation and performs the duties of that office. The interest of a limited partner in the partnership shall not be treated as a stock interest in the corporation, notwithstanding that such interest of a limited partner may be proportionate to his stock interest in the corporation.

(h) The certificate of the partnership and any amendment thereof required by the District of Columbia Uniform Limited Partnership Act shall be executed and acknowledged by the corporation as member and by each other member of the partnership or his attorney-in-fact duly authorized by power of attorney in writing. The corporation may execute and acknowledge the certificate and any amendment thereof as attorney-in-fact for any member, member to be substituted or added, or assigning member, by whom the certificate or amendment is required to be executed and acknowledged and who has appointed the corporation as such attorney.

REPORT TO CONGRESS AND RECORDS

SEC. 808. (a) The corporation shall submit an annual report to the President for transmittal to the Congress within six months after the end of its fiscal year. The report shall include a comprehensive and detailed report of the operations, activities, and financial condition of the corporation and the partnership under this title.

(b) The accounts of the corporation and of the partnership shall be audited annually in accordance with generally accepted auditing standards by independent certified public accountants or independent licensed public accountants certified or licensed by a regulatory authority of a State or other political subdivision of the United States.

ANTITRUST LAWS

SEC. 809. Nothing contained herein shall affect the applicability of the Federal antitrust laws to the activities of the corporation and the parnership created under this title and of the persons participating therein or in partnerships, limited partnerships, or joint ventures with either of them.

RIGHT TO REPEAL, ALTER, OR AMEND

SEC. 810. The right to repeal, alter, or amend this title at any time is expressly reserved.

AMENDMENT TO BANKING LAWS

SEC. 811. Paragraph "Seventh" of section 5136 of the Revised Statutes (12 U.S.C. 24) is amended by adding at the end thereof the following: "Notwithstanding any other provision in this paragraph, the association may purchase for its own account shares of stock issued by a corporation authorized to be created pursuant to title VIII of the Housing and Urban Development Act of 1968, and may make investments in a partnership, limited partnership, or joint venture formed pursuant to section 807(a) or 807(c) of that Act."

TITLE IX—RURAL HOUSING

HOUSING FOR LOW AND MODERATE INCOME PERSONS AND FAMILIES

SEC. 901. Title V of the Housing Act of 1949 is amended by adding at the end thereof the following new section:

"LOANS TO PROVIDE OCCUPANT-OWNED, RENTAL, AND COOPERATIVE HOUSING FOR LOW AND MODERATE INCOME PERSONS AND FAMILIES

"SEC. 521. (a) Notwithstanding the provisions of sections 502, 517(a), and 515, loans to persons of low or moderate income under section 502 or 517(a)(1), and loans under section 515 to provide rental or cooperative housing and related facilities for persons and families of low or moderate income or elderly persons and elderly families, shall bear interest at a rate prescribed by the Secretary at not less than a rate determined by the Secretary of the Treasury taking into consideration the current average market yield on outstanding marketable obligations of the United States with remaining periods to maturity comparable to the average maturities of such loans, adjusted to the nearest one-eighth of 1 per centum, less not to exceed the difference between the adjusted rate determined by the Secretary of the Treasury and 1 per centum per annum: *Provided,* That such a loan may be made only when the Secretary determines that the needs of the applicant for necessary housing cannot be met with financial assistance from other sources including assistance under section 235 or 236 of the National Housing Act: *Provided further,* That interest on loans under section 502 or 517(a) to victims of natural disasters shall not exceed the rate which would be applicable to such loans under section 502 without regard to this section.

"(b) Housing and related facilities provided with loans described in subsection (a) shall be located in rural areas; and applicants eligible for such loans under section 502 or 517(a)(1), or for occupancy of housing provided with such loans under section 515, shall include otherwise qualified nonrural residents who will become rural residents.

"(c) There shall be reimbursed to the Rural Housing Insurance Fund by annual appropriations the amounts by which nonprincipal payments made from the fund during each fiscal year to the holders of insured loans described in subsection (a) exceed interest due from the borrowers during each year; and the Secretary from time to time may issue notes to the Secretary of the Treasury under section 517(h) to obtain amounts equal to such reimbursed excess payments, pending the annual reimbursement by appropriation."

HOUSING FOR RURAL TRAINEES

SEC. 902. Title V of the Housing Act of 1949 is amended by adding after section 521 (as added by section 901 of this Act) the following new section:

"HOUSING FOR RURAL TRAINEES

"SEC. 522. (a) Upon the application of any State or political subdivision thereof, or any public or private nonprofit organization, the Secretary is authorized, after consultation with the Secretary of Labor, the Secretary of Health, Education, and Welfare, the Secretary of Housing and Urban

Development, and the Director of the Office of Economic Opportunity, and after the Secretary determines that the housing and related facilities cannot reasonably be provided in any other way, to provide financial and technical assistance for the establishment, in rural areas, of housing and related facilities for trainees and their families who are residents of a rural area and have a rural background, while such trainees are enrolled and participating in training courses designed to improve their employment capability. The selection of training sites and location of housing shall be made with due regard to the economic viability of the area, and only after consideration of a labor area survey and full coordination among all Government agencies having primary responsibility for administering related programs.

"(b) Housing and related facilities assisted under this section shall be safe and sanitary, constructed in the most economical manner, and of modest design, giving due consideration to the purposes to be served and the needs of the occupants, and may, in the discretion of the Secretary, include mobile family quarters. Design and location shall be such as to facilitate, as feasible, the use of such housing and related facilities for other purposes when no longer needed for the primary purpose.

"(c) The applicant shall contribute the necessary land, or funds to acquire such land, from its own resources, including land acquired by donation or from funds repayable under subsection (e) or borrowed from other sources.

"(d) No financial assistance shall be made available under this section unless, to the extent and for the periods required by the Secretary, the applicant agrees that—

"(1) such housing will be maintained at all times in a safe and sanitary condition in accordance with standards prescribed by State or local law, or, in the absence of such standards, with requirements prescribed by the Secretary;

"(2) priority shall be given at all times, in granting occupancy of such housing and facilities, to the trainees, and their families described in subsection (a); and

"(3) rentals charged them shall not exceed amounts approved by the Secretary after considering the portion of the actual total family income which the family can afford to pay for rent while meeting its other immediate needs during occupancy.

"(e) The Secretary may make advances pursuant to any contract for financial assistance under this section at such times and in such manner as may be specified in the contract. Such advances for the purchase of land shall be repayable with interest and within a period not to exceed thirty-three years and may be made upon such security, if any, as the Secretary requires. Advances for other purposes may be made repayable with or without interest or nonrepayable, as determined by the Secretary on the basis of the anticipated income and cost of operation of the housing and related facilities and the ability of each applicant to finance such facilities. Any advances shall be limited to cover the capital costs of constructing such facilities, plus interest on borrowings to cover such costs.

"(f) Should housing and related facilities assisted pursuant to a contract under this section be sold to an ineligible transferee or diverted to a use other than its primary purpose within a period specified in the contract, all advances made under such contract shall be repaid to the Secretary, up to the amount of the sales price or the fair value of the property as determined by the Secretary, whichever is higher, with interest from the date of the sale or diversion. If no suitable alternate use of the property is available, as determined by the Secretary, after the purpose of this section can no longer be served, the property shall be returned to its original condition by the recipient of the assistance.

"(g) Interest charged on advances made under this section shall be at a rate, prescribed by the Secretary, which shall be not less than a rate determined by the Secretary of the Treasury taking into consideration the current average market yield on outstanding marketable obligations of the United States with remaining periods to maturity comparable to the average maturities of such loans, adjusted to the nearest one-eighth of 1 per centum, less not to exceed the difference between the adjusted rate determined by the Secretary of the Treasury and 1 per centum per annum, as determined by the Secretary.

"(h) The Secretary shall prescribe regulations to insure that Federal funds expended under this section are not wasted or dissipated.

"(i) As used in this section (1) the term 'related facilities' shall include any necessary community rooms or buildings, infirmaries, utilities, access roads, water and sewer services, and the minimum fixed or movable equipment determined by the Secretary to be necessary to make the housing reasonably habitable by trainees and their families; and (2) the term 'trainee' means any person receiving training under any federally assisted training program.

"(j) All laborers and mechanics employed in connection with the provision of housing and related facilities assisted under this section, where such housing includes 8 or more dwelling units, shall be paid wages at rates not less than those prevailing on similar construction in the locality as determined by the Secretary of Labor in accordance with the Davis-Bacon Act, as amended (40 U.S.C. 276a—276a–5); and no assistance shall be extended under this section with respect to such housing and the related facilities without first obtaining adequate assurance that these labor standards will be maintained upon the construction work involved. The Secretary of Labor shall have, with respect to the labor standards specified in this subsection, the authority and functions set forth in Reorganization Plan Numbered 14 of 1950 (64 Stat. 1267) and section 2 of the Act of June 13, 1934 (40 U.S.C. 276c).

"(k) There are authorized to be appropriated such sums as may be necessary to carry out this section."

APPROPRIATIONS

SEC. 903. Section 513 of the Housing Act of 1949 is amended—

(1) by striking out "and (e)" and inserting in lieu thereof "(e)"; and

(2) by inserting before the period at the end thereof the following: "; and (f) such sums as may be required by the Secretary to administer the provisions of sections 235 and 236 of the National Housing Act".

PURCHASE OF LAND FOR BUILDING SITES

SEC. 904. Section 514(f)(2) of the Housing Act of 1949 is amended—

(1) by striking out "and" before "(B)", and

(2) by inserting before the semicolon at the end thereof the following: "and (C) land necessary for an adequate site".

MUTUAL AND SELF-HELP HOUSING

SEC. 905. Title V of the Housing Act of 1949 is amended by adding after section 522 (as added by section 902 of this Act) the following new section:

"MUTUAL AND SELF-HELP HOUSING

"SEC. 523. (a) The purposes of this section are (1) to make financial assistance available on reasonable terms and conditions in rural areas and small towns to needy low-income individuals and their families who, with the benefit of technical assistance and overall guidance and supervision, participate in approved programs of mutual or self-help housing by [illegible]ring and developing necessary land, acquiring building materials, providing their own labor, and working cooperatively with others for the provision of decent, safe, and sanitary dwellings for themselves, their families, and others in the area or town involved, and (2) to facilitate the efforts of both public and private nonprofit organizations providing assistance to such individuals to contribute their technical and supervisory skills toward more effective and comprehensive programs of mutual or self-help housing in rural areas and small towns wherever necessary.

"(b) In order to carry out the purposes of this section, the Secretary of Agriculture (in this section referred to as the "Secretary") is authorized—

"(1)(A) to make grants to, or contract with, public or private nonprofit corporations, agencies, institutions, organizations, and other associations approved by him, to pay part or all of the costs of developing, conducting, administering, or coordinating effective and comprehensive programs of technical and supervisory assistance which will aid needy low-income individuals and their families in carrying out mutual or self-help housng efforts;

"(B) to establish the Self-Help Housing Land Development Fund, referred to herein as the Self-Help Fund, to be used by the Secretary as a revolving fund for making loans, on such terms and conditions and in such amounts as he deems necessary, to public or private nonrofit organizations for the acquisition and development of land as building sites to be subdivided and sold to families, nonprofit organizations, and cooperatives eligible for assistance under section 235 or 236 of the National Housing Act or section 521 of this act. Such a loan, with interest at a rate not to exceed 3 percent per annum, shall be repaid within a period not to exceed two years from the making of the loan, or within such additional period as may be authorized by the Secretary in any case as being necessary to carry out the purposes hereof.

"(2) to make loans, on such terms and conditions and in such amounts as he deems necessary, to needy low-income individuals participating in programs of mutual or self-help housing approved by him, for the acquisition and development of land and for the purchase of such other building materials as may be necessary in order to enable them, by providing substantially all of their own labor, and by cooperating with others participating in such programs, to carry out to completion the construction of decent, safe, and sanitary dwellings for such individuals and their families, subject to the following limitations:

"(A) there is reasonable assurance of repayment of the loan;

"(B) the amount of the loan, together with other funds which may be available, is adequate to achieve the purpose for which the loan is made;

"(C) the credit assistance is not otherwise available on like terms or conditions from private sources or through other Federal, State, or local programs;

"(D) the loan bears interest at a rate not to exceed 3 per centum per annum on the unpaid balance of principal, plus such additional charge, if any, toward covering other costs of the loan program as the Secretary may determine to be consistent with its purposes; and

"(E) the loan is repayable within not more than thirty-three years.

"(c) In determining whether to extend financial assistance under paragraph (1) or (2) of subsection (b), the Secretary shall take into consideration, among other factors, the suitability of the area within which construction will be carried out to the type of dwelling which can be provided under mutual or self-help housing programs, the extent to which the assistance will facilitate

the provision of more decent, safe, and sanitary housing conditions than presently exist in the area, the extent to which the assistance will be utilized efficiently and expeditiously, the extent to which the assistance will effect an increase in the standard of living of low-income individuals participating in the mutual or self-help housing program, and whether the assistance will fulfill a need in the area which is not otherwise being met through other programs, including those carried out by other Federal, State, or local agencies.

"(d) As used in this section, the term 'construction' includes the erection of new dwellings, and the rehabilitation, alteration, conversion, or improvement of existing structures.

"(e) The Secretary is authorized to establish appropriate criteria and procedures in order to determine the eligibility of applicants for the financial assistance provided under this section, including criteria and procedures with respect to the periodic review of any construction carried out with such financial assistance.

"(f) There are hereby authorized to be appropriated for each fiscal year commencing after June 30, 1968, and ending prior to July 1, 1973, such sums, not in excess of $5,000,000 for any such fiscal year, as may be necessary to carry out the provisions of this section. No grant or loan may be made or contract entered into under the authority of this section after June 30, 1973, except pursuant to a commitment or other obligation entered into pursuant to this section before that date.

"(g) There are hereby authorized to be appropriated for the purposes of subsection (b)(1)(B) not to exceed $1,000,000 for the fiscal year ending June 30, 1969, and not to exceed $2,000,000 for the fiscal year ending June 30, 1970. Any amount so authorized to be appropriated for any fiscal year which is not appropriated may be appropriated for any succeeding fiscal year or years. Amounts appropriated under this subsection shall be deposited in the Self-Help Fund, which shall be available without fiscal year limitation for making loans under subsection (b)(1)(B). Instruments and property acquired by the Secretary in or as a result of making such loans shall be assets of the Self-Help Fund. Sums received from the repayment of such loans shall be deposited in and be a part of the Self-Help Fund."

TITLE X—URBAN PROPERTY PROTECTION AND REINSURANCE

SHORT TITLE

SEC. 1001. This title may be cited as the "Urban Property Protection and Reinsurance Act of 1968."

FINDINGS AND DECLARATION OF PURPOSE

SEC. 1002. (a) The Congress finds that (1) the vitality of many American cities is being threatened by the deterioration of their inner city areas; responsible owners of well-maintained residential, business, and other properties in many of these areas are unable to obtain adequate property insurance coverage against fire, crime, and other perils; the lack of such insurance coverage accelerates the deterioration of these areas by discouraging private investment and restricting the availability of credit to repair and improve property therein; and this deterioration poses a serious threat to the national economy; (2) recent riots and other civil commotion in many American cities have brought about abnormally high losses to the private property insurance industry for which adequate reinsurance cannot be obtained at reasonable cost, and the risk of such losses will make most lines of property insurance even more difficult to obtain; (3) the capacity of the private property insurance industry to provide adequate insurance is threatened, and the continuity of such property insurance protection is essential to the extension of credit in these areas; and (4) the national interest demands urgent action by the Congress to assure that essential lines of property insurance, including lines providing protection against riot and civil commotion damage will be avalable to property owners at reasonable cost.

(b) The purposes of this title are, therefore, to (1) encourage and assist the various State insurance authorities and the property insurance industry to develop and carry out statewide programs which will make necessary property insurance coverage against the fire, crime, and other perils more readily available for residential, business, and other properties meeting reasonable underwriting standards; and (2) provide a Federal program of reinsurance against abnormally high property insurance losses resulting from riots and other civil commotion, placing appropriate financial responsibility upon the States to share in such losses.

AMENDMENT OF THE NATIONAL HOUSING ACT

SEC. 1003. The National Housing Act is amended by adding at the end thereof the following new title:

"TITLE XII—NATIONAL INSURANCE DEVELOPMENT PROGRAM

"PROGRAM AUTHORITY

"SEC. 1201. (a) The Secretary is authorized to establish and carry out the programs provided for in parts A, B, and C of this title.

"(b)(1) The powers of the Secretary under this title shall terminate on April 30, 1973, except to the extent necessary—

"(A) to continue reinsurance in accordance with the provisions of section 1223(b) until April 30, 1976;

"(B) to process, verify, and pay claims for reinsured losses and perform other necessary functions in connection therewith; and

"(C) to complete the liquidation and termination of the reinsurance program.

"(2) On April 30, 1976, or as soon thereafter as possible, the Secretary shall submit to the Congress, for its approval, a plan for the liquidation and termination of the reinsurance program.

"ADVISORY BOARD; MEETINGS, DUTIES, COMPENSATION, AND EXPENSES

"SEC. 1202. (a)(1) There is established an Advisory Board (hereinafter called the 'Board') consisting of nineteen members appointed by the Secretary. Members of the Board shall be selected from among representatives of the general public, the insurance industry, State and local governments including State insurance authorities, and the Federal Government. Of these members of the Board, not more than six shall be regular full-time employees of the Federal Government, and not less than four shall be representatives of the private insurance industry and not less than four shall be representatives of State insurance authorities.

"(2) The Secretary shall designate a Chairman and a Vice Chairman of the Board.

"(3) Each member shall serve for a term of two years or until his successor has been appointed, except that no person who is appointed while a full-time employee of a State or the Federal Government shall serve in such position after he ceases to be so employed, unless he is reappointed.

"(4) Any member appointed to fill a vacancy occurring prior to the expiration of the term for which his predecessor was appointed shall be appointed for the remainder of that term.

"(b) The Chairman shall preside at all meetings, and the Vice Chairman shall preside in the absence or disability of the Chairman. In the absence of both the Chairman and Vice Chairman, the Secretary may appoint any member to act as Chairman pro tempore. The Board shall meet at such times and places as it or the Secretary may fix and determine, but shall hold at least four regularly scheduled meetings a year. Special meetings may be held at the call of the Chairman or any three members of the Board, or at the call of the Secretary.

"(c) The Board shall review general policies and shall advise the Secretary with respect thereto, and perform such other functions as are specified in this title.

"(d) The members of the Board shall not, by reason of such membership, be deemed to be employees of the United States, and such members, except those who are regular full-time employees of the Government, shall receive for their services, as members, the per diem equivalent to the rate for grade GS–18 of the General Schedule under section 5332 of title 5, United States Code, when engaged in the performance of their duties, and each member of the Board shall be allowed travel expenses, including per diem in lieu of subsistence, as authorized by section 5703 of such title for persons in the Government service employed intermittently.

"DEFINITIONS

"SEC. 1203. (a) When used in this title, unless the context otherwise requires, the term—

"(1) 'environmental hazard' means any hazardous condition that might give rise to loss under an insurance contract, but which is beyond the control of the property owner;

"(2) 'essential property insurance' means insurance against direct loss to property as defined and limited in standard fire policies and extended coverage endorsement thereon, as approved by the State insurance authority and the Secretary, and insurance for such types, classes, and locations of property against the perils of vandalism, malicious mischief, burglary, or theft, as the Secretary by rule shall designate. Such insurance shall not include automobile insurance and shall not include insurance on such types of manufacturing risks as may be excluded by the State insurance authority;

"(3) 'inspection facility', with respect to any State, means any rating bureau or other person designated by the State insurance authority to perform inspections under fair access to insurance requirements plans under part A;

"(4) 'insurer' includes any insurance company or group of companies under common ownership which is authorized to engage in the insurance business under the laws of any State;

"(5) 'pool' means any pool or association of insurance companies in any State which is formed, associated, or otherwise created for the purpose of making property insurance more readily available;

"(6) 'losses resulting from riots or civil disorders' means losses resulting from riots or civil disorders under policies for standard lines of property insurance for which reinsurance is offered under section 1221, as determined under regulations of the Secretary;

"(7) 'property owner', with respect to any real, personal, or mixed real and personal property, means any person having an insurable interest in such property;

"(8) 'person' includes any individual or group of individuals, corporation, partnership, or association, or any other organized group of persons;

"(9) 'reinsured losses' means losses on reinsurance claims and all direct expenses incurred in connection therewith including, but not limited to, expenses for processing, verifying, and paying such losses;

"(10) 'standard line of property insurance' includes—

"(A) fire and extended coverage;

"(B) vandalism and malicious mischief;

"(C) other allied lines of fire insurance;

"(D) burglary and theft;

"(E) those portions of multiple peril policies covering perils similar to those provided

for in subparagraphs (A), (B), (C), and (D);

"(F) inland marine;

"(G) glass;

"(H) boiler and machinery;

"(I) ocean marine;

"(J) aircraft physical damage; and

"(K) such other lines generally offered to the public which include protection against damage from riot or civil commotion as the Secretary by regulation may designate;

"(11) 'State' means the several States, the District of Columbia, the Commonwealth of Puerto Rico, Guam, American Samoa, and the Trust Territory of the Pacific;

"(12) 'urban area' includes any municipality or other political subdivision of a State, subject to population or other limitations defined in rules and regulations of the Secretary and such additional areas as may be designated by the State insurance authority; and

"(13) 'year' means a calendar year, fiscal year of a company, or such other period of twelve months as may be designated by the Secretary.

"(b) The Secretary is authorized to define, by rules and regulations, any technical or trade term, insofar as such definition is not inconsistent with the provisions of this title.

"PART A—STATEWIDE PLANS TO ASSURE FAIR ACCESS TO INSURANCE REQUIREMENTS

"FAIR PLANS

"SEC. 1211. (a) Each insurer reinsured under this title shall cooperate with the State insurance authority in each State in which it is to acquire such reinsurance in establishing and carrying out statewide plans to assure fair access to insurance requirements (FAIR plans).

"(b) Such plans must be approved by the State insurance authority, or be authorized or required by State law, and shall be designed to make essential property insurance more readily avilable in, but not necessarily limited to, urban areas. Such plans may vary in detail from State to State because of local conditions, but all plans shall contain provision that—

"(1) no risk shall be written at surcharged rates or be denied insurance coverage for essential property insurance unless there has first been an inspection of the risk, without cost to the owner, by an inspection facility and a determination by the insurer, based on information in the inspection report and other sources, that the risk does not meet reasonable underwriting standards at the applicable premium rate;

"(2) inspections under the plan may be requested by the property owner or his representative, the insurer, or the insurance agent, broker or other producer, and such requests need not be made in writing;

"(3) the absence of a building owner or his representative during an inspection shall not preclude a tenant seeking insurance from obtaining an inspection under the plan;

"(4) following the inspection, a copy of the inspection report shall be promptly sent by the inspection facility to the insurer or insurers, or to an all-industry placement facility referred to under section 1212, as may be designated by the person requesting the inspection;

"(5) after the inspection report is received by an insurer, it shall promptly determine if the risk meets reasonable underwriting standards at the applicable premium rate, and shall promptly return to the inspection facility the inspection report and provide an action report setting forth—

"(A) (i) the amount of coverage it agrees to write; and if the insurer agrees to write the coverage with a surcharge (if such a surcharge is authorized by the State insurance authority), the improvements necessary before it will provide coverage at an unsurcharged premium rate; and

"(ii) the amount of coverage it agrees to write if certain improvements specified in the action report are made; or

"(B) the specific reasons it declines to write coverage;

"(6) if the insurer declines the risk, or agrees to write the coverage sought on condition that the property will be improved, it shall also promptly send a copy of both the inspection and action reports to the property owner and the State insurance authority, and at the time the insurer sends such reports to the property owner, it shall also explain his right, under applicable State laws, to appeal the decision of the insurer to the State insurance authority, setting forth the procedures to be followed for such appeal;

"(7) all policies written pursuant to the plan shall be promptly written after inspection or reinspection and shall be separately coded so that appropriate records may be compiled for purposes of performing loss prevention and other studies of the operation of the plan;

"(8) the inspection facility shall submit to the State insurance authority and to the Secretary periodic reports setting forth information, by individual insurers, including the number of risks inspected under the plan, the number of risks accepted, the number of risks conditionally accepted and reinspections made, the number of risks declined, and such other information as the State insurance authority may request;

"(9) notice will be given to any policyholder a reasonable time prior to the cancellation or nonrenewal of any risk eligible under the plan (except in case of nonpayment of premium or evidence of incendiarism), to allow ample time for an application for new coverage to be made and a new policy to be written under the plan, and the insurer shall, in writing, explain to the policyholder the procedures for obtaining an inspection under the plan in the notice of cancellation or nonrenewal; and

"(10) a continuing public education program will be undertaken by the participating insurers, agents, and brokers to assure that the plan receives adequate public attention.

"ALL-INDUSTRY PLACEMENT FACILITY

"SEC. 1212. Any plan under this part shall include an all-industry placement facility doing business with every insurer participating in the plan in the State, and shall provide that this facility shall perform certain functions including, but not limited to, the following:

"(1) seeking, upon request by or on behalf of any property owner requesting an inspection under the plan, to distribute the risks involved equitably among the insurers with which it is doing business; and

"(2) seeking to place insurance up to the full insurable value of the risk to be insured with one or more insurers with which it is doing business, except to the extent that deductibles, percentage participation clauses and other underwriting devices are employed to meet special problems of insurability.

"INDUSTRY COOPERATION

"SEC. 1213. (a) Every insurer seeking reinsurance under this title shall file a statement with the State insurance authority in each State in which it is participating in a plan under this part, pledging its full participation and cooperation in carrying out the plan, and shall file a copy of such statement with the Secretary.

"(b) No insurer acquiring reinsurance under this title shall direct any agent or broker or other producer not to solicit business through such a plan, nor shall any agent, broker, or other producer be penalized by such insurer in any way for submitting applications for insurance to an insurer under the plan.

"PLAN EVALUATION

"SEC. 1214. (a) In accordance with such rules and regulations as the Secretary may prescribe, each State insurance authority shall—

"(1) transmit to the Secretary any proposed or adopted plan, or amendments thereto; and

"(2) advise the Secretary, from time to time, concerning the operation of the plan, its effectiveness in providing essential property insurance, and the need to form a pool of insurers or adopt other programs to make essential property insurance more readily available in urban areas of the State.

"(b) The Secretary may, after full consultation with the Board, by rules and regulations, modify the plan criteria set forth under this part if it finds, on the basis of experience, that such action is necessary or desirable to carry out the purposes of this title. The Secretary may also, with respect to any State, waive compliance with one or more of the plan criteria, upon certification by the State insurance authority that compliance is unnecessary or inadvisable under local conditions or State law.

"PART B—REINSURANCE COVERAGE

"REINSURANCE OF LOSSES FROM RIOTS OR CIVIL DISORDERS

"SEC. 1221. (a) (1) The Secretary is authorized to offer to any insurer or pool, subject to the conditions set forth in section 1223, reinsurance against property losses resulting from riots or civil disorders in any one or more States.

"(2) Reinsurance shall be offered to any such insurer or pool only on all standard lines of property insurance enumerated under subparagraphs (A) through (E) of section 1203(a)(10) together, and any insurer or pool purchasing such reinsurance shall also be eligible to purchase reinsurance on any one or more standard lines of property insurance enumerated under subparagraphs (F) through (J) of section 1203(a)(10) or which may be designated by regulation pursuant to subparagraph (K) of that section.

"(b) Reinsurance coverage under this section may be provided immediately following the enactment of this title to any insurer or pool in any State on a temporary basis, and on such terms and conditions as may be agreed upon, and coverage under such terms and conditions may be bound with respect to any such insurer or pool by means of a written binder which shall remain in force not more than ninety days and shall expire at the earlier of either—

"(1) the termination of such ninety-day period, or

"(2) the effective date of any governing contract, agreement, treaty, or other arrangement entered into between the insurer or pool and the Secretary under section 1222 for the purpose of providing reinsurance coverage against losses resulting from riots or civil disorders.

"(c) No reinsurance shall be offered to any insurer or pool in a State after the expiration of the written binder entered into under subsection (b), unless there is in effect in such State a plan as set forth under part A and the insurer or pool is participating in such plan, and unless, in the case of an insurer in a State where a pool has been established pursuant to State law, the insurer is participating in such a pool.

"REINSURANCE AGREEMENTS AND PREMIUMS

"SEC. 1222. (a) During the first year following the date of the enactment of this title, the Secretary is authorized to enter into any contract, agreement, treaty, or other arrangement with any insurer or pool for reinsurance coverage, in consideration of payment of such premiums, fees, or other charges by insurers or pools which the Secretary, after full consultation with the Board, deems to be adequate to obtain aggregate reinsurance premiums for deposit in the National Insurance Development Fund established under section 1233 in excess of the

estimated amount of insured riot losses during the calendar year 1967, on the assumption that a substantial proportion of the property insurance written will be reinsured under this title, and thereafter the Secretary may increase or decrease such premiums for reinsurance if it is found after full consultation with the Board and the National Association of Insurance Commissioners that such action is necessary or appropriate to carry out the purposes of this title.

"(b) Reinsurance offered under this title shall reimburse an insurer or pool for its total proved and approved claims for covered losses resulting from riots or civil disorders during the term of the reinsurance contract, agreement, treaty, or other arrangement, over and above the amount of the insurer's or pool's retention of such losses as provided in such reinsurance contract, agreement, treaty, or other arrangement entered into under this section.

"(c) Such contracts, agreements, treaties, or other arrangements may be made without regard to section 3679(a) of the Revised Statutes of the United States (31 U.S.C. 665(a)), and shall include any terms and conditions which the Secretary deems necessary to carry out the purposes of this title. The premium rates, terms, and conditions of such contracts with insurers or pools, throughout the country, in any one year shall be uniform.

"(d) Any contract, agreement, treaty, or other arrangement for reinsurance under this section shall be for a term expiring on April 30, 1969, and on April 30 each year thereafter, and shall be entered into within ninety days after the date of the enactment of this title or within ninety days prior to April 30 each year thereafter, or within ninety days after an insurer is authorized to write insurance eligible for reinsurance in a State which it was not authorized to write in the preceding year.

"CONDITIONS OF REINSURANCE

"SEC. 1223. (a) Subject to the provisions of subsection (b), reinsurance shall not be offered by the Secretary in a State or be applicable to insurance policies written in that State by an insurer—

"(1) after one year following the date of the enactment of this title, or, if the appropriate State legislative body has not met in regular session during that year, by the close of its next regular session, in any State which has not adopted appropriated legislation, retroactive to the date of the enactment of this title, under which the State, its political subdivisions, or a governmental corporation or fund established pursuant to State law, will reimburse the Secretary, in an amount up to 5 per centum of the aggregate property insurance premiums earned in that State during the preceding calendar year on those lines of insurance reinsured by the Secretary in that State during the current year, such that the Secretary may be reimbursed for amounts paid by him in respect to reinsured losses that occurred in that State during a calendar year in excess of (A) reinsurance premiums received in that State during the same calendar year plus (B) the excess of (i) the total premiums received by the Secretary for reinsurance in that State during a preceding period measured from the end of the most recent calendar year with respect to which the Secretary was reimbursed for losses under this title over (ii) any amounts paid by the Secretary for reinsured losses that occurred during this same period;

"(2) after thirty days following notification to the insurer that the Secretary finds that there has not been adopted by the State, or the property insurance industry in that State, a suitable program or programs, in addition to plans under part A, to make essential property insurance available without regard to environmental hazards, and that such action is necessary to carry out the purposes of this title; except that this paragraph shall not become effective until two years after the date of the enactment of this title, or at such earlier date as the Secretary, after consultation with the State insurance authority, may determine;

"(3) after thirty days following notification to the insurer that the Secretary, or the State insurance authority, finds that such insurer is not fully participating—

"(A) in the plan in the State;

"(B) where it exists, in a pool; and

"(C) where it exists, in any other program found by the Secretary to aid in making essential property insurance more readily available in the State;

"(4) following a merger, acquisition, consolidation or reorganization involving one or more insurers having lines of property insurance in the State reinsured under this title and one or more insurers with or without such reinsurance, unless the surviving company—

"(A) meets the criteria of eligibility for reinsurance, other than as provided under section 1222(d); and

"(B) within ten days pays any reinsurance premiums due; or

"(5) upon receipt of notice from the insurer or pool that it desires to cancel its reinsurance agreement with the Secretary in the State.

"(b) Notwithstanding the foregoing provisions of this section, reinsurance may be continued for the term of the policies written prior to the date of termination or nonrenewal of reinsurance under this section, for as long as the insurer pays reinsurance premiums annually in such amounts as are determined under section 1222, based on the annual premiums earned on such reinsured policies, and for the purpose of this subsection, the renewal, extension, modification, or other change in a policy, for which any additional premium is charged, shall be deemed to be a policy written on the date such change was made.

"RECOVERY OF PREMIUMS; STATUTE OF LIMITATIONS

"SEC. 1224. (a) The Secretary, in a suit brought in the appropriate United States district court, shall be entitled to recover from any insurer the amount of any unpaid premiums lawfully payable by such insurer to the Secretary.

"(b) No action or proceeding shall be brought for the recovery of any premium due to the Secretary for reinsurance, or for the recovery of any premium paid to the Secretary in excess of the amount due to him, unless such action or proceeding shall have been brought within five years after the right accrued for which the claim is made, except that, where the insurer has made or filed with the Secretary a false or fraudulent annual statement, or other document with the intent to evade, in whole or in part, the payment of premiums, the claim shall not be deemed to have accrued until its discovery by the Secretary.

"PART C—PROVISIONS OF GENERAL APPLICABILITY

"CLAIMS AND JUDICIAL REVIEW

"SEC. 1231. (a) All reinsurance claims for losses under this title shall be submitted by insurers in accordance with such terms and conditions as may be established by the Secretary.

"(b)(1) Upon disallowance of any claim under color of reinsurance made available under this title, or upon refusal of the claimant to accept the amount allowed upon any such claim, the claimant may institute an action against the Secretary on such claim in the United States district court for the district in which a major portion (in terms of value) of the claim arose.

"(2) Any such action must be begun within one year after the date upon which the claimant received written notice of disallowance or partial disallowance of the claim, and exclusive jurisdiction is hereby conferred upon United States district courts to hear and determine such actions without regard to the amount in controversy.

"FISCAL INTERMEDIARIES AND SERVICING AGENTS

"SEC. 1232. (a) In order to provide for maximum efficiency in the administration of the reinsurance program under this title, and in order to facilitate the expeditious payment of any funds under such program, the Secretary may enter into contracts with any insurer, pool, or other person, for the purpose of providing for the performance of any or all of the following functions:

"(1) estimating or determining any amounts of payments for reinsurance claims;

"(2) receiving and disbursing and accounting for funds in making payments for reinsurance claims;

"(3) auditing the records of any insurer, pool, or other person to the extent necessary to assure that proper payments are made;

"(4) establishing the basis of liability for reinsurance payments, including the total amount of proved and approved claims which may be payable to any insurer, and the total amount of remiums earned by any insurer in the resective States for reinsured lines of property insurance; and

"(5) otherwise assisting in any manner provided in the contract to further the purposes of this title.

"(b) (1) Any such contract may require the insurer, pool, or other person, or any of its officers or employees certifying payments or disbursing funds pursuant to the contract, or otherwise participating in carrying out the contract, to give surety bond to the United States in such amounts as the Secretary may deem appropriate.

"(2) In the absence of gross negligence or intent to defraud the United States—

"(A) no individual designated pursuant to a contract under this section to certify payments shall be liable with respect to any payment certified by him under this section; and

"(B) no officer of the United States disbursing funds shall be liable with respect to any otherwise proper payment by him if it was based on a voucher signed by an individual designated pursuant to a contract under this section to certify payments.

"NATIONAL INSURANCE DEVELOPMENT FUND

SEC. 1233. (a) To carry out the programs authorized under this title, the Secretary is authorized to establish a National Insurance Development Fund (hereinafter called the 'fund') which shall be available without fiscal year limitations—

"(1) to make such payments as may, from time to time, be required under reinsurance contracts under this title;

"(2) to pay such administrative expenses as may be necessary or appropriate to carry out the purposes of this title; and

"(3) to repay to the Secretary of the Treasury such sums, including interest thereon, as may be borrowed from him for purposes of such programs under section 520(b).

"(b) The fund shall be credited with—

"(1) reinsurance premiums, fees, and other charges which may be paid or collected in connection with reinsurance provided under part B;

"(2) interest which may be earned on investments of the fund;

"(3) such amounts as may be advanced to the fund from appropriations in order to maintain the fund in an operative condition adequate to meet its liabilities;

"(4) receipts from any other source which may, from time to time, be credited to the fund; and

"(5) funds borrowed by the Secretary under section 520(b) and deposited in the fund.

"(c) If, after any amounts which may have been advanced to the fund from appropriations have been credited to the appropriation from which advanced (includ-

ing interest thereon at the rate prescribed under section 520(b)), the Secretary determines that the moneys of the fund are in excess of current needs, he may request the investment of such amounts as he deems advisable by the Secretary of the Treasury in obligations issued or guaranteed by the United States.

"(d) An annual business-type budget for the fund shall be prepared, transmitted to the Congress, considered, and enacted in the manner prescribed by law (sections 102, 103, and 104 of the Government Corporation Control Act (31 U.S.C. 847–849)) for wholly-owned Government corporations.

"RECORDS, ANNUAL STATEMENT, AND AUDITS

"SEC. 1234. (a) Any insurer or pool acquiring reinsurance under this title shall furnish the Secretary with such summaries and analyses of information in its records as may be necessary to carry out the purposes of this title, in such form as the Secretary, in cooperation with the State insurance authority, shall, by rules and regulations, prescribe. The Secretary shall make use of State insurance authority examination reports and facilities to the maximum extent feasible.

"(b) Any insurer or pool acquiring reinsurance under this title shall file with the Secretary a true and correct copy of any annual statement, or amendment thereof, filed with the State insurance authority of its domiciliary State, at the time it files such statement or amendment with such State insurance authority.

"(c) Any insurer or other person executing any contract, agreement, or other appropriate arrangement with the Secretary under section 1222 or section 1232 shall keep reasonable records which fully disclose the total costs of the programs undertaken or the services being rendered, and such other records as will facilitate an effective audit of liability for reinsurance payments by the Secretary.

"(d) The Secretary and the Comptroller General of the United States, or any of their duly authorized representatives, shall have access for the purpose of investigation, audit, and examination to any books, documents, papers, and records of any insurer or other person that are pertinent to the costs of any program undertaken for, or services rendered to the Secretary. Such audits shall be conducted to the maximum extent feasible in cooperation with the State insurance authorities and through the use of their examining facilities.

"STUDY OF REINSURANCE AND OTHER PROGRAMS

"SEC. 1235. (a) The Secretary is authorized and directed to conduct a study of reinsurance and other means to help assure—

"(1) an adequate market for burglary and theft and other property insurance in urban areas; and

"(2) adequate availability of surety bonds for construction contractors in urban areas.

"(b) The Secretary shall submit the results of this study, together with appropriate recommendations, to the President and Congress no later than one year following the date of the enactment of this title.

"OTHER STUDIES

"SEC. 1236. (a) The Secretary is authorized to undertake such studies as may be necessary to carry out the purposes of this title including, but not limited to, inquires concerning—

"(1) the operation of plans under part A;

"(2) the extent to which essential property insurance is unavailable in urban areas;

"(3) the market for private reinsurance; and

"(4) loss prevention methods and procedures, insurance marketing methods, and underwriting techniques.

"(b) To such extent and under such circumstances as he deems appropriate, the Secretary may conduct any study authorized under this section in cooperation with State insurance authorities and the private insurance industry.

"GENERAL POWERS

"SEC. 1237. In the performance of, and with respect to, the functions, powers, and duties vested in him by this title, the Secretary shall (in addition to any authority otherwise vested in him) have the functions, powers, and duties (including the authority to issue rules and regulations) set forth in section 402, except subsections (c)(2), (d), and (f), of the Housing Act of 1950.

"SERVICES AND FACILITIES OF OTHER AGENCIES—UTILIZATION OF PERSONNEL, SERVICES, FACILITIES, AND INFORMATION

"SEC. 1238. The Secretary may, with the consent of the agency concerned, accept and utilize, on a reimbursable basis, the officers, employees, services, facilities, and information of any agency of the Federal Government, except that any such agency having custody of any data relating to any of the matters within the jurisdiction of the Secretary shall, to the extent permitted by law upon request of the Secretary, make such data available to the Secretary.

"ADVANCE PAYMENTS

"SEC. 1239. Any payments which are made under the authority of this title may be made, after necessary adjustments on account of previously made underpayments or overpayments in advance or by way of reimbursement. Payments may be made in such installments and on such conditions as the Secretary may determine.

"TAXATION

"SEC. 1240. (a) The National Insurance Development Fund, including its reserves, surplus, and income, shall be exempt from all taxation now or hereafter imposed by the United States, or by any State, or any subdivision thereof, except that any real property acquired by the Secretary as a result of reinsurance shall be subject to taxation by any State or political subdivision thereof, to the same extent, according to its value, as other real property is taxed.

"(b) Any measures undertaken by an State to meet or to fund its obligations under section 1223(a)(1) shall not be the subject of any retaliatory or fiscal imposition by any other State.

"APPROPRIATIONS

"SEC. 1241. There are hereby authorized to be appropriated such sums as may be necessary to carry out this title."

FINANCING

SEC. 1004. Section 520(b) of the National Housing Act is amended by inserting "(1)" after "necessary" in the first sentence, and by striking out the period at the end of such sentence and inserting in lieu thereof ", and (2) to make payments for reinsured losses under title XII of this Act: *Provided, however,* That borrowings to make payments for reinsured losses under title XII shall be limited to $150,000,000 or such further sum as the Congress, by joint resolution, may from time to time determine."

TITLE XI—DISTRICT OF COLUMBIA INSURANCE PLACEMENT ACT

SHORT TITLE

SEC. 1101. This title may be cited as the "District of Columbia Insurance Placement Act".

DECLARATION OF PURPOSE

SEC. 1102. The purposes of this title are—

(1) to assure stability in the property insurance market for property located in the District of Columbia;

(2) to assure the availability of basic property insurance as defined by this title;

(3) to encourage maximum use, in obtaining basic property insurance, of the normal insurance market provided by authorized insurers; and

(4) to provide for the equitable distribution among insurers of the responsibility for insuring qualified property for which basic property insurance cannot be obtained through the normal insurance market by authorizing the establishment of a joint underwriting association.

DEFINITIONS

SEC. 1103. As used in this title, unless the context otherwise requires—

(a) "Commissioner" means the Commissioner of the District of Columbia or his designated agent.

(b) "Basic property insurance" means insurance against direct loss to property caused by perils as defined and limited in the standard fire policy and extended coverage endorsement thereon as approved by the Commissioner, and such other property insurance coverages, including, but not limited to, vandalism and malicious mischief, burglary, theft, and robbery, for such types, classes, and locations of property as may be designated by the Commissioner pursuant to the procedures set out in section 1105 of this title, but shall not include insurance on automobiles.

(c) "Environmental hazard" means any hazardous condition that might give rise to loss under an insurance contract, but which is beyond the control of the property owner.

(d) "Inspection bureau" means the rating bureau or other organization designated by the Commissioner to perform inspections to determine the condition of the properties for which basic property insurance is sought.

(e) "Industry Placement Facility" means the facility formed by all insurers licensed to write and engaged in writing basic property insurance (including homeowners and commercial multiperil policies) within the District of Columbia to assist agents, brokers, and applicants in securing basic property insurance.

(f) "Premiums written" means gross direct premiums charged with respect to property in the District of Columbia on all policies of basic property insurance and the basic property insurance premium components of all multiperil policies, less all premiums and dividends returned, paid, or credited to policyholders or the unused or unabsorbed portions of premium deposits.

(g) "Property owner" means any person having an insurable interest in real, personal, or mixed real and personal property.

INDUSTRY PLACEMENT FACILITY

SEC. 1104. (a) Within thirty days after the effective date of this title all insurers licensed to write and engaged in writing in the District of Columbia, on a direct basis, basic property insurance or any component thereof in multiperil policies, shall establish an Industry Placement Facility to formulate and administer a program, subject to disapproval by the Commissioner in whole or in part, to seek the equitable apportionment among such insurers of basic property insurance which may be afforded applicants in the District of Columbia whose property is insurable in accordance with reasonable underwriting standards and who individually or through their insurance agent or broker request the aid of the Facility to procure such insurance. The Facility shall seek to place insurance with one or more participating companies up to the full insurable value of the risk, if requested, except to the extent that deductibles, percentage participation clauses and other underwriting devices are employed to meet special problems of insurability.

(b) The Facility may, subject to the approval of the Commissioner, provide, as part of its program for the equitable distribution of commercial risks and dwelling risks among insurers.

(c) Each such insurer shall participate in the Industry Placement Facility program in

accordance with the established rules of the program as a condition of its authority to transact such kinds of insurance in the District of Columbia: *Provided,* That in lieu of revoking or suspending the certificate of authority of any company for any failure to comply with any of the established rules of the program, the Commissioner may subject such company to a penalty of not more than $200 for each such failure to so comply when in his judgment he finds that the public interest would be best served by the continued operation of the company in the District of Columbia.

FAIR ACCESS TO INSURANCE REQUIREMENTS

SEC. 1105. (a) The Industry Placement Facility shall on its own motion, or within thirty days after a request by the Commissioner, submit to the Commissioner such proposed rules and regulations applicable to insurers, agents and brokers deemed necessary to assure all property owners fair access to basic property insurance through the normal insurance markets, including, but not limited to, rules and regulations concerning—

(1) the manner and scope of inspections of risks by an inspection bureau;

(2) the preparation and filing of inspection reports and reports on actions taken in connection with inspected risks, and summaries thereof;

(3) the operation of an Industry Placement Facility, including but not limited to rules and regulations concerning—

(A) the basic property insurance coverages of such facility;

(B) the reasonable effort to obtain insurance in the normal commercial market required by an applicant before recourse to the Facility; and

(C) the appeals procedure within the Facility for any applicant for insurance regarding any ruling, action, or decision by or on behalf of the Facility.

(b) The Commissioner may adopt such of the rules submitted pursuant to subsection (a) of this section as he approves. If the Commissioner disapproves any proposed rule submitted he may require the Facility to submit a revision thereof within such time as he may designate, but no less than five days. If the Facility fails to submit a proposed rule, or revision thereof, within the designated time, or if a revised rule is unacceptable to the Commissioner, the Commissioner may adopt such rule covering the proposed general subject matter as he shall deem necessary to carry out the purposes of this Act.

JOINT UNDERWRITING ASSOCIATION

SEC. 1106. (a) The Commissioner is authorized to establish by order a joint underwriting association if he finds, after notice and hearing, that such association is necessary to carry out the purposes of this title. Such joint underwriting association shall consist of all insurers licensed to write and engaged in writing in the District of Columbia, on a direct basis, such basic property insurance as may be designated by the Commissioner or any component thereof in multiperil policies.

(b) Every such insurer shall be and remain a member of the association and shall comply with all requirements of membership as a condition of its authority to transact such kinds of insurance in the District of Columbia: *Provided,* That in lieu of revoking or suspending the certificate of authority of any company for any failure to comply with any of the requirements of membership, the Commissioner may subject such company to a penalty of not more than $200 for each such failure to so comply when in his judgment he finds that the public interest would be best served by the continued operation of the company in the District of Columbia.

(c)(1) Within sixty days following the effective date of the order of the Commissioner under this section the association shall submit to him a proposal plan of operation, consistent with the provisions of this Act, which shall provide for economical, fair, and nondiscriminatory administration of the association and for the prompt and efficient provision of reinsurance for such basic property insurance as may be designated by the Commissioner without regard to environmental hazards, including, but not limited to, provisions concerning—

(A) preliminary assessment of all members for initial expenses necessary to commence operations;

(B) establishment of necessary facilities;

(C) management and operation of the association;

(D) assessment of members to defray losses and expenses;

(E) commission arrangements;

(F) reasonable underwriting standards;

(G) assumption and cession of reinsurance; and

(H) such other matters as the Commissioner may designate.

(2) The plan of operation shall be subject to approval by the Commissioner in whole or in part. If the Commissioner disapproves all or any part of the proposed plan of operation, the association shall within thirty days thereafter submit for his review an appropriately revised plan of operation and if the association fails so to do, or if the revised plan so filed is unacecptable to the Commissioner, the Commissioner shall promulgate a plan of operation.

(3) The association may, on its own initiative, amend such plan, subject to approval by the Commissioner, and shall amend such plan at the direction of the Commissioner if he finds such action is necessary to carry out the purposes of this title.

(d) All members of the association shall participate in its writings, expenses, profits, and losses, or in such categories thereof as may be separately established by the association, subject to approval by the Commissioner, in the proportion that the premiums written by each such member (but excluding premiums for insurance on automobiles) during the preceding calendar year bear to the aggregate premiums written in the District of Columbia by all members of the association, or in accordance with such other formula as devised by the association, subject to approval by the Commissioner. Such participation by each insurer in the association shall be determined annually on the basis of such premiums written during the preceding calendar year as disclosed in the annual statements and other reports filed by the insurer with the Commissioner.

(e) The association shall be governed by a board of eleven directors, elected annually by cumulative voting by the members of the association, whose votes in such election shall be weighted in accordance with the proportionate amount of each member's net direct premiums written in the District of Columbia during the preceding calendar year. The first board shall be elected at a meeting of the members or their authorized representatives, which shall be held within thirty days after the effective date of the order under this section establishing the association, at a time and place designated by the Commissioner.

EXAMINATION BY COMMISSIONER

SEC. 1107. The operation of the inspection bureau, the Industry Placement Facility, and any joint underwriting association shall at all times be subject to the supervision and regulation of the Commissioner. The Commissioner shall have the power of visitation of and examination into such operations and free access to all the books, records, files, papers, and documents that relate to such operations, may summon and qualify witnesses under oath, and may examine directors, officers, agents, or employees or any otehr person having knowledge of such operations.

WAIVER OF LIABILITY

SEC. 1108. There shall be no liability on the part of, and no cause of action of any nature shall arise against insurers, the inspection bureau, the "Industry Placement Facility, the joint underwriting association or their agents or employees, or any officer or employee of the District of Columbia, for any statements made in good faith by them concerning the insurability of property in any reports or other communications or at the time of the hearings conducted in connection therewith, or in the findings with respect thereto required by the provisions of this title. The reports and communications of the inspection bureau, the Industry Placement Facility, and joint underwriting association with respect to individual properties shall not be open to inspection by, or otherwise available to, the public.

ANNUAL REPORTS BY ASSOCIATION

SEC. 1109. The association shall file with the Commissioner, annually on or before the 1st day of March, a statement which shall contain information with respect to its transactions, conditions, operations, and affairs during the preceding year. Such statement shall contain such matters and information as are prescribed by the Commissioner and shall be in such form as is approved by him. The Commissioner may at any time require the association to furnish him with additional information with respect to its transactions, condition or any matter connected therewith which he considers to be material and which will assist him in evaluating the scope, operation, and experience of the association.

APPEALS

SEC. 1110. (a) Any applicant for insurance and any affected insurer may appeal to the Commissioner within ninety days after any final ruling, action, or decision by or on behalf of the inspection bureau, Industry Placement Facility, or joint underwriting association, following exhaustion of remedies available within such bureau, facility, or association.

(b) All final orders or decisions of the Commissioner made pursuant to this Act shall be subject to review by the District of Columbia Court of Appeals pursuant to section 11–742 of the District of Columbia Code.

REIMBURSEMENT OF NATIONAL INSURANCE DEVELOPMENT CORPORATION

SEC. 1111. (a) In order to carry out the purposes of this Act and to make available to insurers who participate hereunder reinsurance against losses resulting from riots or civil disorders afforded under the National Insurance Development Corporation Act of 1968, the Commissioner is authorized to assess each insurance company authorized to do business in the District of Columbia an amount, in the proportion that the premiums earned by each such company, on lines reinsured by the National Insurance Development Corporation, during the preceding calendar year bears to the aggregate premiums earned on those lines in the District of Columbia by all insuarnce companies, sufficient to provide a fund to reimburse the Corporation in the manner set forth in section 1223(a)(1) of the National Insurance Development Corporation Act of 1968. Such fund may be added to or such a fund may be created by moneys appropriated therefor by the Congress.

(b) Insurers shall add to the premium rate an amount, to be approved by the Commissioner, sufficient to recover within not more than three years, any amounts assessed pursuant to subsection (a) of this section during the preceding calendar year. Such amount shall be a separate charge to the insured in addition to the premium to be paid and shall be reflected as such in the policy of insurance: *Provided,* That no commission shall be paid thereon to any agent or broker produc-

ing or selling the policy of insurance wherein such amount is added.

DELEGATION

SEC. 1112. The Commissioner is authorized to delegate any of the functions vested in him by this title.

JUDICIAL REVIEW

SEC. 1113. Section 11–742(a) of the District of Columbia Code is amended (a) by striking "and" immediately following clause (9); (b) by striking the period following clause (10) and inserting in lieu thereof "; and"; and (c) by adding the following:

"(11) final orders and decisions of the Commissioner under the provisions of the District of Columbia Insurance Placement Act."

EFFECTIVE DATE

SEC. 1114. This title shall be effective upon a determination by the Commissioner that the Congress has enacted legislation providing Federal reinsurance against losses from civil disorders.

TITLE XII—NATIONAL FLOOD INSURANCE

SHORT TITLE

SEC. 1201. This title may be cited as the "National Flood Insurance Act of 1968".

FINDINGS AND DECLARATION OF PURPOSE

SEC. 1202. (a) The Congress finds that (1) from time to time flood disasters have created personal hardships and economic distress which have required unforeseen disaster relief measures and have placed an increasing burden on the Nation's resources; (2) despite the installation of preventive and protective works and the adoption of other public programs designed to reduce losses caused by flood damage, these methods have not been sufficient to protect adequately against growing exposure to future flood losses; (3) as a matter of national policy, a reasonable method of sharing the risk of flood losses is through a program of flood insurance which can complement and encourage preventive and protective measures; and (4) if such a program is initiated and carried out gradually, it can be expanded as knowledge is gained and experience is appraised, thus eventually making flood insurance coverage available on reasonable terms and conditions to persons who have need for such protection.

(b) The Congress also finds that (1) many factors have made it uneconomic for the private insurance industry alone to make flood insurance available to those in need of such protection on reasonable terms and conditions; but (2) a program of flood insurance with large-scale participation of the Federal Government and carried out to the maximum extent practicable by the private insurance industry is feasible and can be initiated.

(c) The Congress further finds that (1) a program of flood insurance can promote the public interest by providing appropriate protection against the perils of flood losses and encouraging sound land use by minimizing exposure of property to flood losses; and (2) the objectives of a flood insurance program should be integrally related to a unified national program for flood plain management and, to this end, it is the sense of Congress that within two years following the date of the enactment of this Act the President should transmit to the Congress for its consideration any further proposals necessary for such a unified program, including proposals for the allocation of costs among beneficiaries of flood protection.

(d) It is therefore the purpose of this title to (1) authorize a flood insurance program by means of which flood insurance, over a period of time, can be made available on a nationwide basis through the cooperative efforts of the Federal Government and the private insurance industry, and (2) provide flexibility in the program so that such flood insurance may be based on workable methods of pooling risks, minimizing costs, and distributing burdens equitably among those who will be protected by flood insurance and the general public.

(e) It is the further purpose of this title to (1) encourage State and local governments to make appropriate land use adjustments to constrict the development of land which is exposed to flood damage and minimize damage caused by flood losses, (2) guide the development of proposed future construction, where practicable, away from locations which are threatened by flood hazards, (3) encourage lending and credit institutions, as a matter of national policy, to assist in furthering the objectives of the flood insurance program, (4) assure that any Federal assistance provided under the program will be related closely to all flood-related programs and activities of the Federal Government, and (5) authorize continuing studies of flood hazards in order to provide for a constant reappraisal of the flood insurance program and its effect on land use requirements.

AMENDMENTS TO THE FEDERAL FLOOD INSURANCE ACT OF 1956

SEC. 1203. (a) The second sentence of section 15(e) of the Federal Flood Insurance Act of 1956 (79 Stat. 1078) is amended—

(1) by striking out "rate" the second time it appears in such sentence, and inserting in lieu thereof "market yield", and

(2) by striking out "as of the last day of", and inserting in lieu thereof "during".

(b) Section 15(e) of such Act is further amended by striking out the last sentence thereof.

(c) Sections 2 through 14, subsections (a) through (d), and (f) and (g) of section 15, and sections 16 through 23 of such Act are hereby repealed.

CHAPTER I—THE NATIONAL FLOOD INSURANCE PROGRAM

BASIC AUTHORITY

SEC. 1204. (a) To carry out the purposes of this title, the Secretary of Housing and Urban Developemnt is authorized to establish and carry out a national flood insurance program which will enable interested persons to purchase insurance against loss resulting from physical damage to or loss of real property or personal property related thereto arising from any flood occurring in the United States.

(b) In carrying out the flood insurance program the Secretary shall, to the maximum extent practicable, encourage and arrange for—

(1) appropriate financial praticipation and risk sharing in the program by insurance companies and other insurers, and

(2) other appropirate participation, on other than a risk-sharing basis, by insurance companies and other insurers, insurance agents and brokers, and insurance adjustment organizations,

in accordance with the provisions of chapter II.

SCOPE OF PROGRAM AND PRIORITIES

SEC. 1205. (a) In carrying out the flood insurance programs the Secretary shall afford a priority to making flood insurance available to cover residential properties which are designed for the occupancy of from one to four families and business properties which are owned or leased and operated by small business concerns.

(b) If on the basis of—

(1) studies and investigations undertaken and carried out and information received or exchanged under section 1108, and

(2) such other information as may be necessary, the Secretary determines that it would be feasible to extend the flood insurance program to cover any types or classes of—

(A) other residential properties,

(B) other business properties,

(C) agricultural properties,

(D) properties occupied by private nonprofit organizations, or

(E) properties owned by State and local governments and agencies thereof,

he shall transmit such determination to the Congress together with his recommendations with respect to any such extension of the program.

(c) The Secretary shall make flood insurance available in only those States or areas (or subdivisions thereof) which he has determined have—

(1) evidenced a positive interest in securing flood insurance coverage under the flood insurance program, and

(2) given satisfactory assurance that by June 30, 1970, permanent land use and control measures will have been adopted for the State or area (or subdivision) which are consistent with the comprehensive criteria for land management and use developed under section 1261, and that the application and enforcement of such measures will commence as soon as technical information on floodways and on controlling flood elevations is available.

NATURE AND LIMITATION OF INSURANCE COVERAGE

SEC. 1206. (a) The Secretary shall from time to time, after consultation with the advisory committee authorized under section 1218, appropriate representatives of the pool formed or otherwise created under section 1231, and appropriate representatives of the insurance authorities of the respective States, provide by regulation for general terms and conditions of insurability which shall be applicable to properties eligible for flood insurance coverage under section 1106, including—

(1) the types, classes, and locations of any such properties which shall be eligible for flood insurance;

(2) the nature and limits of loss or damage in any areas (or subdivisions thereof) which may be covered by such insurance;

(3) the classification, limitation, and rejection of any risks which may be advisable;

(4) appropriate minimum premiums;

(5) appropriate loss-deductibles; and

(6) any other terms and conditions relating to insurance coverage or exclusion which may be necessary to carry out the purposes of this title.

(b) In addition to any other terms and conditions under subsection (a), such regulations shall provide that—

(1) any flood insurance coverage based on chargeable premium rates under section 1208 which are less than the estimated premium rates under section 1207(a)(1) shall not exceed—

(A) in the case of residential properties which are designed for the occupancy of from one to four families—

(i) $17,500 aggregate liability for any dwelling unit, and $30,000 for any single dwelling structure containing more than one dwelling unit, and

(ii) $5,000 aggregate liability per dwelling unit for any contents related to such unit;

(B) in the case of business properties which are owned or leased and operated by small business concerns, an aggregate liability with respect to any single structure, including any contents thereof related to premises of small business occupants (as that term is defined by the Secretary), which shall be equal to (i) $30,000 plus (ii) $5,000 multiplied by the number of such occupants and shall be allocated among such occupants (or among the occupant or occupants and the owner) under regulations prescribed by the Secretary; except that the aggregate liability for the structure itself may in no case exceed $30,000; and

(C) in the case of any other properties which may became eligible for flood insurance coverage under section 1205—

(i) $30,000 aggregate liability for any single structure, and

(ii) $5,000 aggregate liability per dwelling unit for any contents related to such unit in the case of residential properties, or per occupant (as that term is defined by the Secretary) for any contents related to the premises occupied in the case of any other properties; and

(2) any flood insurance coverage which may be made available in excess of any of the limits specified in subparagraph (A), (B), or (C) of paragraph (1) (or allocated to any person under subparagraph (B) of such paragraph) shall be based only on chargeable premium rates under section 1208 which are not less than the estimated premium rates under section 1207 (a) (1) and the amount of such excess coverage shall not in any case exceed in amount is equal to the applicable limit so specified (or allocated).

ESTIMATES OF PREMIUM RATES

SEC. 1207. (a) The Secretary is authorized to undertake and carry out such studies and investigations and receive or exchange such information as may be necessary to estimate, and shall from time to time estimate, on an area, subdivision, or other appropriate basis—

(1) the risk premium rates for flood insurance which—

(A) based on consideration of the risk involved and accepted actuarial principles, and

(B) including—

(i) the applicable operating costs and allowances set forth in the schedules prescribed under section 1211 and reflected in such rates, and

(ii) any administrative expenses (or portion of such expenses) of carrying out the flood insurance program which, in his discretion, should properly be reflected in such rates, would be required in order to make such insurance available on an actuarial basis for any types and classes of properties for which insurance coverage is available under section 1205(a) (or is recommended to the Congress under section 1205(b));

(2) the rates, if less than the rates estimated under paragraph (1), which would be reasonable, would encourage prospective insureds to purchase flood insurance, and would be consistent with the purposes of this title; and

(3) the extent, if any, to which federally assisted or other flood protection measures initiated after the date of the enactment of this title affect such rates.

(b) In carrying out subsection (a), the Secretary shall, to the maximum extent feasible and on a reimbursement basis, utilize the services of the Department of the Army, the Department of the Interior, the Department of Agriculture, the Department of Commerce, and the Tennessee Valley Authority, and, as appropriate, other Federal departments or agencies, and for such purposes may enter into agreements or other appropriate arrangements with any persons.

(c) The Secretary shall give priority to conducting studies and investigations and making estimates under this section in those States or areas (or subdivisions thereof) which he has determined have evidenced a positive interest in securing flood insurance coverage under the flood insurance program.

ESTABLISHMENT OF CHARGEABLE PREMIUM RATES

SEC. 1208. (a) On the basis of estimates made under section 1108 and such other information as may be necessary, the Secretary shall from time to time, after consultation with the advisory committee authorized under section 1218, appropriate representatives of the pool formed or otherwise created under section 1231, and appropriate representatives of the insurance authorities of the respective States, prescribe by regulation—

(1) chargeable premium rates for any types and classes of properties for which insurance coverage shall be available under section 1205 (at less than the estimated risk premium rates under section 1207(a)(1), where necessary), and

(2) the terms and conditions under which, and the areas (including subdivisions thereof) within which, such rates shall apply.

(b) Such rates shall, insofar as practicable, be—

(1) based on a consideration of the respective risks involved, including differences in risks due to land use measures, floodproofing, flood forecasting, and similar measures.

(2) adequate, on the basis of accepted actuarial principles, to provide reserves for anticipated losses, or, if less than such amount, consistent with the objective of making flood insurance available where necessary at reasonable rates so as to encourage prospective insureds to purchase such insurance and with the purposes of this title, and

(3) stated so as to reflect the basis for such rates, including the differences (if any) between the estimated risk premium rates under section 1207(a)(1) and the estimated rates under section 1207(a)(2).

(c) Notwithstanding any other provision of this title, the chargeable rate with respect to any property, the construction or substantial improvement of which the Secretary determines has been started after the identification of the area in which such property is located has been published under paragraph (1) of section 1260, shall not be less than the applicable estimated risk premium rate for such area (or subdivision thereof) under section 1207(a)(1).

(d) In the event any chargeable premium rate prescribed under this section—

(1) is a rate which is not less than the applicable estimated risk premium rate under section 1207(a)(1), and

(2) includes any amount for administrative expenses of carrying out the flood insurance program which have been estimated under clause (ii) of section 1207(a)(1)(B),

a sum equal to such amount shall be paid to the Secretary, and he shall deposit such sum in the National Flood Insurance Fund established under section 1210.

FINANCING

SEC. 1209. (a) All authority which was vested in the Housing and Home Finance Administrator by virtue of section 15(e) of the Federal Flood Insurance Act of 1956 (70 Stat. 1084) (pertaining to the issue of notes or other obligations to the Secretary of the Treasury), as amended by subsections (a) and (b) of section 1202 of this Act, shall be available to the Secretary for the purpose of carrying out the flood insurance program under this title; except that the total amount of notes and obligations which may be issued by the Secretary pursuant to such authority shall not exceed $150,000,000, and all authority of the Secretary to issue notes and obligations under said section 15(e) beyond such sum is hereby rescinded.

(b) Any funds borrowed by the Secretary under this authority shall, from time to time, be deposited in the National Flood Insurance Fund established under section 1210.

NATIONAL FLOOD INSURANCE FUND

SEC. 1210. (a) To carry out the flood insurance program authorized by this title, the Secretary is authorized to establish in the Treasury of the United States a National Flood Insurance Fund (hereinafter referred to as the "fund") which shall be available, without fiscal year limitation—

(1) for making such payments as may, from time to time, be required under section 1234;

(2) to pay reinsurance claims under the excess loss reinsurance coverage provided under section 1235;

(3) to repay to the Secretary of the Treasury such sums as may be borrowed from him (together with interest) in accordance with the authority provided in section 1209; and

(4) for the purposes specified in subsection (d) under the conditions provided therein.

(b) The fund shall be credited with—

(1) such funds borrowed in accordance with the authority provided in section 1209 as may from time to time be deposited in the fund;

(2) premiums, fees, or other charges which may be paid or collected in connection with the excess loss reinsurance coverage provided under section 1235;

(3) such amounts as may be advanced to the fund from appropriations in order to maintain the fund in an operative condition adequate to meet its liabilities;

(4) interest which may be earned on investments of the fund pursuant to subsection (c);

(5) such sums as are required to be paid to the Secretary under section 1208(d); and

(6) receipts from any other operations under this title (including premiums under the conditions specified in subsection (d), and salvage proceeds, if any, resulting from reinsurance coverage).

(c) If, after—

(1) all outstanding obligations of the fund have been liquidated, and

(2) any outstanding amounts which may have been advanced to the fund from appropriations authorized under section 1276 (a) (2) (B) have been credited to the appropriation from which advanced, with interest accrued at the rate prescribed under section 15(e) of the Federal Flood Insurance Act of 1956, as in effect immediately prior to the enactment of this title,

the Secretary determines that the moneys of the fund are in excess of current needs, he may request the investment of such amounts as he deems advisable by the Secretary of the Treasury in obligations issued or guaranteed by the United States.

(d) In the event the Secretary makes a finding in accordance with the provisions of section 1240 that operation of the flood insurance program, in whole or in part, should be carried out through the facilities of the Federal Government, the fund shall be available for all purposes incident thereto, including—

(1) costs incurred in the adjustment and payment of any claims for losses, and

(2) payment of applicable operating costs set forth in the schedules prescribed under section 1211,

for so long as the program is so carried out, and in such event any premiums paid shall be deposited by the Secretary to the credit of the fund.

(e) An annual business-type budget for the fund shall be prepared, transmitted to the Congress, considered, and enacted in the manner prescribed by law (sections 102, 103, and 104 of the Government Corporation Control Act (31 U.S.C. 847–849)) for wholly-owned Government corporations.

OPERATING COSTS AND ALLOWANCES

SEC. 1211. (a) The Secretary shall from time to time negotiate with appropriate representatives of the insurance industry for the purpose of establishing—

(1) a current schedule of operating costs applicable both to risk-sharing insurance companies and other insurers and to insurance companies and other insurers, insurance agents and brokers, and insurance adjustment organizations participating on other than a risk-sharing basis, and

(2) a current schedule of operating allowances applicable to risk-sharing insurance companies and other insurers,

which may be payable in accordance with the provisions of chapter II, and such sched-

ules shall from time to time be prescribed in regulations.

(b) For purposes of subsection (a)—

(1) The term "operating costs" shall (without limiting such term) include—

(A) expense reimbursements covering the direct, actual, and necessary expenses incurred in connection with selling and servicing flood insurance coverage;

(B) reasonable compensation payable for selling and servicing flood insurance coverage, or commissions or service fees paid to producers;

(C) loss adjustment expenses; and

(D) other direct, actual, and necessary expenses which the Secretary finds are incurred in connection with selling or servicing flood insurance coverage; and

(2) the term "operating allowances" shall (without limiting such term) include amounts for profit and contingencies which the Secretary finds reasonable and necessary to carry out the purposes of this title.

PAYMENT OF CLAIMS

SEC. 1212. The Secretary is authorized to prescribe regulations establishing the general method or methods by which proved and approved claims for losses may be adjusted and paid for any damage to or loss of property which is covered by flood insurance made available under the provisions of this title.

DISSEMINATION OF FLOOD INSURANCE INFORMATION

SEC. 1213. The Secretary shall from time to time take such action as may be necessary in order to make information and data available to the public, and to any State or local agency or official, with regard to—

(1) the flood insurance program, its coverage and objectives, and

(2) estimated and chargeable flood insurance premium rates, including the basis for and differences between such rates in accordance with the provisions of section 1208.

PROHIBITION AGAINST CERTAIN DUPLICATIONS OF BENEFITS

SEC. 1214. (a) Notwithstanding the provisions of any other law, no Federal disaster assistance shall be made available to any person—

(1) for the physical loss, destruction, or damage of real or personal property, to the extent that such loss, destruction or damage is covered by a valid claim which may be adjusted and paid under flood insurance made available under the authority of this title, or

(2) except in the situation provided for under subsection (b), for the physical loss, destruction, or damage of real or personal property, to the extent that such loss, destruction, or damage could have been covered by a valid claim under flood insurance which had been made available under the authority of this title, if—

(A) such loss, destruction, or damage occurred subsequent to one year following the date flood insurance was made available in the area (or subdivision thereof) in which such property or the major part thereof was located, and

(B) such property was eligible for flood insurance under this title at that date;

and in such circumstances the extent that such loss, destruction, or damage could have been covered shall be presumed (for purposes of this subsection) to be an amount not less than the maximum limit of insurable loss or damage applicable to such property in such area (or subdivision thereof), pursuant to regulations under section 1206, at the time insurance was made available in such area (or subdivision thereof).

(b) In order to assure that the provisions of subsection (a)(2) will not create undue hardship for low-income persons who might otherwise benefit from the provision of Federal disaster assistance, the Secretary shall provide by regulation for the circumstances in which the provisions of subsection (a)(2) shall not be applicable to any such persons.

(c) For purposes of this section, "Federal disaster assistance" shall include any Federal financial assistance which may be made available to any person as a result of—

(1) a major disaster (within the meaning of that term as determined by the President pursuant to the Act entitled "An Act to authorize Federal assistance to State and local governments in major disasters, and for other purposes", as amended (42 U.S.C. 1855–1855g)),

(2) a natural disaster, as determined by the Secretary of Agriculture pursuant to section 321 of the Consolidated Farmers Home Administration Act of 1961 (7 U.S.C. 1961), or

(3) a disaster with respect to which loans may be made under section 7(b) of the Small Business Act (15 U.S.C. 636(b)).

(d) For purposes of section 10 of the Disaster Relief Act of 1966 (80 Stat. 1320), the term "financial assistance" shall be deemed to include any flood insurance which is made available under this title.

STATE AND LOCAL LAND USE CONTROLS

SEC. 1215. After June 30, 1970, no new flood insurance coverage shall be provided under this title in any area (or subdivision thereof) unless an appropriate public body shall have adopted permanent land use and control measures) with effective enforcement provisions) which the Secretary finds are consistent with the comprehensive criteria for land management and use under section 1261.

PROPERTIES IN VIOLATION OF STATE AND LOCAL LAW

SEC. 1216. No new flood insurance coverage shall be provided under this title for any property which the Secretary finds has been declared by a duly constituted State or local zoning authority, or other authorized public body, to be in violation of State or local laws, regulations, or ordinances which are intended to discourage or otherwise restrict land development occupancy in flood-prone areas.

COORDINATION WITH OTHER PROGRAMS

SEC. 1118. In carrying out this title, the Secretary shall consult with other departments and agencies of the Federal Government, and with interstate, State, and local agencies having responsibilities for flood control, flood forecasting, or flood damage prevention, in order to assure to the maximum extent practicable that the programs of such agencies and the flood insurance program authorized under this title are mutually consistent.

ADVISORY COMMITTEE

SEC. 1119. (a) The Secretary shall appoint a flood insurance advisory committee, without regard to the provisions of title 5, United States Code, governing appointments in the competitive service, and such committee shall advise the Secretary in the preparation of any regulations prescribed in accordance with this title and with respect to policy matters arising in the administration of this title, and shall perform such other responsibilities as the Secretary may, from time to time, assign to such committee.

(b) Such committee shall consist of not more than fifteen persons and such persons shall be selected from among representatives of—

(1) the insurance industry,

(2) State and local governments,

(3) lending institutions,

(4) the homebuilding industry, and

(5) the general public.

(c) Members of the committee shall, while attending conferences or meetings thereof, be entitled to receive compensation at a rate fixed by the Secretary but not exceeding $100 per day, including traveltime, and while so serving away from their homes or regular places of business they may be allowed travel expenses, including per diem in lieu of subsistence, as is authorized under section 5703 of title 5, United States Code, for persons in the Government service employed intermittently.

INITIAL PROGRAM LIMITATION

SEC. 1219. The face amount of flood insurance coverage outstanding and in force at any one time under this title shall not exceed the sum of $2,500,000,000.

REPORT TO THE PRESIDENT

SEC. 1220. The Secretary shall include a report of operations under this title in the annual report to the President for submission to the Congress required by section 8 of the Department of Housing and Urban Development Act.

CHAPTER II—ORGANIZATION AND ADMINISTRATION OF THE FLOOD INSURANCE PROGRAM

ORGANIZATION AND ADMINISTRATION

SEC. 1230. Following such consultation with representatives of the insurance industry as may be necessary, the Secretary shall implement the flood insurance program authorized under chapter I in accordance with the provisions of part A of this chapter and, if a determination is made by him under section 1240, under part B of this chapter.

PART A—INDUSTRY PROGRAM WITH FEDERAL FINANCIAL ASSISTANCE

INDUSTRY FLOOD INSURANCE POOL

SEC. 1231. (a) The Secretary is authorized to encourage and otherwise assist any insurance companies and other insurers which meet the requirements prescribed under subsection (b) to form, associate, or otherwise join together in a pool—

(1) in order to provide the flood insurance coverage authorized under chapter I; and

(2) for the purpose of assuming, on such terms and conditions as may be agreed upon, such financial responsibility as will enable such companies and other insurers, with the Federal financial and other assistance available under this title, to assume a reasonable proportion of responsibility for the adjustment and payment of claims for losses under the flood insurance program.

(b) In order to promote the effective administration of the flood insurance program under this part, and to assure that the objectives of this title are furthered, the Secretary is authorized to prescribe appropriate requirements for insurance companies and other insurers participating in such pool including, but not limited to, minimum requirements for capital or surplus or assets.

AGREEMENTS WITH FLOOD INSURANCE POOL

SEC. 1232. (a) The Secretary is authorized to enter into such agreements with the pool formed or otherwise created under this part as he deems necessary to carry out the purposes of this title.

(b) Such agreements shall specify—

(1) the terms and conditions under which risk capital will be available for the adjustment and payment of claims,

(2) the terms and conditions under which the pool (and the companies and other insurers participating therein) shall participate in premiums received and profits or losses realized or sustained,

(3) the maximum amount of profit, established by the Secretary and set forth in the schedules prescribed under section 1212, which may be realized by such pool (and the companies and other insurers participating therein),

(4) the terms and conditions under which operating costs and allowances set forth in the schedules prescribed under section 1212 may be paid, and

(5) the terms and conditions under which premium equalization payments under section 1234 will be made and reinsurance claims under section 1235 will be paid.

(c) In addition, such agreements shall contain such provisions as the Secretary finds necessary to assure that—

(1) no insurance company or other insurer which meets the requirements prescribed under section 1231(b), and which has indicated an intention to participate in the flood insurance program on a risk-sharing basis, will be excluded from participating in the pool,

(2) the insurance companies and other insurers participating in the pool will take whatever action may be necessary to provide continuity of flood insurance coverage by the pool, and

(3) any insurance companies and other insurers, insurance agents and brokers, and insurance adjustment organizations will be permitted to cooperate with the pool as fiscal agents or otherwise, on other than a risk-sharing basis, to the maximum extent practicable.

ADJUSTMENT AND PAYMENT OF CLAIMS AND JUDICIAL REVIEW

SEC. 1233. The insurance companies and other insurers which form, associate, or otherwise join together in the pool under this part may adjust and pay all claims for proved and approved losses covered by flood insurance in accordance with the provisions of this title and, upon the disallowance by any such company or other insurer of any such claim, or upon the refusal of the claimant to accept the amount allowed upon any such claim, the claimant, within one year after the date of mailing of notice of disallowance or partial disallowance of the claim, may institute an action on such claim against such company or other insurer in the United States district court for the district in which the insured property or the major part thereof shall have been situated, and jurisdiction is hereby conferred upon such court to hear and determine such action without regard to the amount in controversy.

PREMIUM EQUALIZATION PAYMENTS

SEC. 1234. (a) The Secretary, on such terms and conditions as he may from time to time prescribe, shall make periodic payments to the pool formed or otherwise created under section 1231, in recognition of such reductions in chargeable premium rates under section 1208 below estimated premium rates under section 1207(a)(1) as are required in order to make flood insurance available on reasonable terms and conditions.

(b) Such payments shall be based only on the aggregate amount of flood insurance retained by the pool after ceding reinsurance in accordance with the provisions of section 1235, and shall not exceed an aggregate amount in any payment period equal to the sum of the following:

(1) an amount for losses which bears the same ratio to the amount of all proved and approved claims for losses under this title during any designated period as the amount equal to the difference between—

(A) the sum of all premium payments for flood insurance coverage in force under this title during such designated period which would have been payable during such period if all such coverage were based on estimated risk premium rates under section 1207(a)(1) (excluding any administrative expenses which may be reflected in such rates, as specified in clause (ii) of section 1207(a)(1)(B)), and

(B) the sum of the premium payments actually paid or payable for such insurance under this title during such period,

bears to the amount specified in clause (A); and

(2) subject to the terms and conditions specified in the agreements entered into with the pool under section 1232, a proportionate amount for appropriate operating costs and allowances (as set forth in the schedules prescribed under section 1211) during any designated period which bears the same ratio to the total amount of such operating costs and allowances during such period as the ratio specified in paragraph (1).

(c) Designated periods under this section and the methods for determining the sum of premiums paid or payable during such periods shall be established by the Secretary.

REINSURANCE COVERAGE

SEC. 1235. (a) The Secretary is authorized to take such action as may be necessary in order to make available, to the pool formed or otherwise created under section 1231, reinsurance for losses (due to claims for proved and approved losses covered by flood insurance) which are in excess of losses assumed by such pool in accordance with the excess loss agreement entered into under subsection (c).

(b) Such reinsurance shall be made available pursuant to contract, agreement, or any other arrangement, in consideration of such payment of a premium, fee, or other charge as the Secretary finds necessary to cover anticipated losses and other costs of providing such reinsurance.

(c) The Secretary is authorized to negotiate an excess loss agreement, from time to time, under which the amount of flood insurance retained by the pool, after ceding reinsurance, shall be adequate to further the purposes of this title, consistent with the objective of maintaining appropriate financial participation and risk sharing to the maximum extent practicable on the part of participating insurance companies and other insurers.

(d) All reinsurance claims for losses in excess of losses assumed by the pool shall be submitted on a portfolio basis by such pool in accordance with terms and conditions established by the Secretary.

PART B—GOVERNMENT PROGRAM WITH INDUSTRY ASSISTANCE

FEDERAL OPERATION OF THE PROGRAM

SEC. 1240. (a) If at any time, after consultation with representatives of the insurance industry, the Secretary determines that operation of the flood insurance program as provided under part A cannot be carried out, or that such operation, in itself, would be assisted materially by the Federal Government's assumption, in whole or in part, of the operational responsibiilty for flood insurance under this title (on a temporary or other basis), he shall promptly undertake any necessary arrangements to carry out the program of flood insurance authorized under chapter I through the facilities of the Federal Government, utilizing, as may be practical for purposes of providing flood insurance coverage, insurance companies and other insurers, insurance agents and brokers, and insurance adjustment organizations, as fiscal agents of the United States.

(b) Upon making the determination referred to in subsection (a), and at least thirty days prior to implementing the program of flood insurance authorized under chapter I through the facilities of the Federal Government, the Secretary shall make a report to the Congress and such report shall—

(1) state the reasons for such determination,

(2) be supported by pertinent findings,

(3) indicate the extent to which it is anticipated that the insurance industry will be utilized in providing flood insurance coverage under the program, and

(4) contain such recommendations as the Secretary deems advisable.

ADJUSTMENT AND PAYMENT OF CLAIMS AND JUDICIAL REVIEW

SEC. 1241. In the event the program is carried out as provided in section 1240, the Secretary shall be authorized to adjust and make payment of any claims for proved and approved losses covered by flood insurance, and upon the disallowance by the Secretary of any such claim, or upon the refusal of the claimant to accept the amount allowed upon any such claim, the claimant, within one year after the date of mailing of notice of disallowance or partial disallowance by the Secretary, may institute an action against the Secretary on such claim in the United States district court for the district in which the insured property or the major part thereof shall have been situated, and jurisdiction is hereby conferred upon such court to hear and determine such action without regard to the amount in controversy.

PART C—PROVISIONS OF GENERAL APPLICABILITY

SERVICES BY INSURANCE INDUSTRY

SEC. 1145. (a) In administering the flood insurance program under this chapter, the Secretary is authorized to enter into any contracts, agreements, or other appropiate arrangements which may, from time to time, be necessary for the purpose of utilizing, on such terms and conditions as may be agreed upon, the facilities and services of any insurance companies or other insurers, insurance agents and brokers, or insurance adjustment organizations; and such contracts, agreements, or arrangements may include provision for payment of applicable operating costs and allowances for such facilities and services as set forth in the schedules prescribed under section 1211.

(b) Any such contracts, agreements, or other arrangements may be entered into without regard to the provisions of section 3709 of the Revised Statutes (41 U.S.C. 5) or any other provision of law requiring competitive bidding.

USE OF INSURANCE POOL, COMPANIES, OR OTHER PRIVATE ORGANIZATIONS FOR CERTAIN PAYMENTS

SEC. 1246. (a) In order to provide for maximum efficiency in the administration of the flood insurance program and in order to facilitate the expeditious payment of any Federal funds under such program, the Secretary may enter into contracts with pool formed or otherwise created under section 1231, or any insurance company or other private organization, for the purpose of securing performance by such pool, company, or organization of any or all of the following responsibilities:

(1) estimating and later determining any amounts of payments to be made;

(2) receiving from the Secretary, disbursing, and accounting for funds in making such payments;

(3) making such audits of the records of any insurance company or other insurer, insurance agent or broker, or insurance adjustment organization as may be necessary to assure that proper payments are made; and

(4) otherwise assisting in such manner as the contract may provide to further the purposes of this title.

(b) Any contract with the pool or an insurance company or other private organization under this section may contain such terms and conditions as the Secretary finds necessary or appropriate for carrying out responsibilities under subsection (a), and may provide for payment of any costs which the Secretary determines are incidental to carrying out such responsibilities which are covered by the contract.

(c) Any contract entered into under subsection (a) may be entered into without regard to section 3709 of the Revised Statutes (41 U.S.C. 5) or any other provision of law requiring competitive bidding.

(d) No contract may be entered into under this section unless the Secretary finds that the pool, company, or organization will

perform its obligations under the contract efficiently and effectively, and will meet such requirements as to financial responsibility, legal authority, and other matters as he finds pertinent.

(e) (1) Any such contract may require the pool, company, or organization or any of its officers or employees certifying payments or disbursing funds pursuant to the contract, or otherwise participating in carrying out the contract, to give surety bond to the United States in such amount as the Secretary may deem appropriate.

(2) No individual designated pursuant to a contract under this section to certify payments shall, in the absence of gross negligence or intent to defraud the United States, be liable with respect to any payment certified by him under this section.

(3) No officer disbursing funds shall, in the absence of gross negligence or intent to defraud the United States, be liable with respect to any payment by him under this section if it was based upon a voucher signed by an individual designated to certify payments as provided in paragraph (2) of this subsection.

(f) Any contract entered into under this section shall be for a term of one year, and may be made automatically renewable from term to term in the absence of notice by either party of an intention to terminate at the end of the current term; except that the Secretary may terminate any such contract at any time (after resonable notice to the pool, company, or organization involved) if he finds that the pool, company, or organization has failed substantially to carry out the contract, or is carrying out the contract in a manner inconsistent with the efficient and effective administration of the flood insurance program authorized under this title.

SETTLEMENT AND ARBITRATION

SEC. 1247. (a) The Secretary is authorized to make final settlement of any claims or demands which may arise as a result of any financial transactions which he is authorized to carry out under this chapter, and may, to assist him in making any such settlement, refer any disputes relating to such claims or demands to arbitration, with the consent of the parties concerned.

(b) Such arbitration shall be advisory in nature, and any award, decision, or recommendation which may be made shall become final only upon the approval of the Secretary.

RECORDS AND AUDITS

SEC. 1248. (a) The flood insurance pool formed or otherwise created under part A of this chapter, and any insurance company or other private organization executing any contract, agreement, or other appropriate arrangement with the Secretary under part B of this chapter or this part, shall keep such records as the Secretary shall prescribe, including records which fully disclose the total costs of the program undertaken or the services being rendered, and such other records as will facilitate an effective audit.

(b) The Secretary and the Comptroller General of the United States, or any of their duly authorized representatives, shall have access for the purpose of audit and examination to any books, documents, papers, and records of the pool and any such insurance company or other private organization that are pertinent to the costs of the program undertaken or the services being rendered.

CHAPTER III—COORDINATION OF FLOOD INSURANCE WITH LAND-MANAGEMENT PROGRAMS IN FLOOD-PRONE AREAS

IDENTIFICATION OF FLOOD-PRONE AREAS

SEC. 1260. The Secretary is authorized to consult with, receive information from, and enter into any agreements or other arrangements with the Secretaries of the Army, the Interior, Agriculture, and Commerce, the Tennessee Valley Authority, and the heads of other Federal departments or agencies, on a reimbursement basis, or with the head of any State or local agency, or enter into contracts with any persons or private firms, in order that he may—

(1) identify and publish information with respect to all flood plain areas, including coastal areas located in the United States, which have special flood hazards, within five years following the date of the enactment of this Act, and

(2) establish flood-risk zones in all such areas, and make estimates with respect to the rates of probable flood-caused loss for the various flood-risk zones for each of these areas, within fifteen years following such date.

CRITERIA FOR LAND MANAGEMENT AND USE

SEC. 1261. (a) The Secretary is authorized to carry out studies and investigations, utilizing to the maximum extent practicable the existing facilities and services of other Federal departments or agencies, and State and local governmental agencies, and any other organizations, with respect to the adequacy of State and local measures in flood-prone areas as to land management and use, flood control, flood zoning, and flood damage prevention, and may enter into any contracts, agreements, or other appropriate arrangements to carry out such authority.

(b) Such studies and investigations shall include, but not be limited to, laws, regulations, or ordinances relating to encroachments and obstructions on stream channels and floodways, the orderly development and use of flood plains of rivers or streams, floodway encroachment lines, and flood plain zoning, building codes, building permits, and subdivision or other building restrictions.

(c) On the basis of such studies and investigations, and such other information as he deems necessary, the Secretary shall from time to time develop comprehensive criteria designed to encourage, where necessary, the adoption of permanent State and local measures which, to the maximum extent feasible, will—

(1) constrict the development of land which is exposed to flood damage where appropriate,

(2) guide the development of proposed construction away from locations which are threatened by flood hazards,

(3) assist in reducing damage caused by floods, and

(4) otherwise improve the long-range land management and use of flood-prone areas,

and he shall work closely with and provide any necessary technical assistance to State, interstate, and local governmental agencies, to encourage the application of such criteria and the adoption and enforcement of such measures.

PURCHASE OF CERTAIN INSURED PROPERTIES

SEC. 1262. The Secretary may, when he determines that the public interest would be served thereby, enter into negotiations with any owner of real property or interest therein in which—

(1) was located in any flood-risk area, as determined by the Secretary,

(2) was covered by flood insurance under the flood insurance program authorized under this title, and

(3) was damaged subtantially beyond repair by flood while so covered,

and may purchase such property or interests therein, for subsequent transfer, by sale, lease, donation, or otherwise, to any State or local agency which enters into an agreement with the Secretary that such property shall, for a period not less than forty years following transfer, be used for only such purposes as the Secretary may, by regulation, determine to be consistent with sound land management and use in such area.

CHAPTER IV—APPROPRIATIONS AND MISCELLANEOUS PROVISIONS

DEFINITIONS

SEC. 1270. As used in this title—

(1) the term "flood" shall have such meaning as may be prescribed in regulations of the Secretary, and may include inundation from rising waters or from the overflow of streams, rivers, or other bodies of water, or from tidal surges, abnormally high tidal water, tidal waves, tsunamis, hurricanes, or other severe storms or deluge;

(2) the terms "United States" (when used in a geographic sense) and "State" include the several States, the District of Columbia, the territories and possessions, the Commonwealth of Puerto Rico, and the Trust Territory of the Pacific Islands;

(3) the terms "insurance company", "other insurer", and "insurance agent or broker" include any organizations and persons authorized to engage in the insurance business under the laws of any State;

(4) the term "insurance adjustment organization" includes any organizations and persons engaged in the business of adjusting loss claims arising under insurance policies issued by any insurance company or other insurer;

(5) the term "person" includes any individual or group of individuals, corporation, partnership, association, or any other organized group of persons, including State and local governments and agencies thereof; and

(6) the term "Secretary" means the Secretary of Housing and Urban Development.

STUDIES OF OTHER NATURAL DISASTERS

SEC. 1271. (a) The Secretary is authorized to undertake such studies as may be necessary for the purpose of determining the extent to which insurance protection against earthquakes or any other natural disaster perils, other than flood, is not available from public or private sources, and the feasibility of such insurance protection being made available.

(b) Studies under this section shall be carried out, to the maximum extent practicable, with the cooperation of other Federal departments and agencies and State and local agencies, and the Secretary is authorized to consult with, receive information from, and enter into any necessary agreements or other arrangements with such other Federal departments and agencies (on a reimbursement basis) and such State and local agencies.

PAYMENTS

SEC. 1172. Any payments under this title may be made (after necessary adjustment on account of previously made underpayments or overpayments) in advance or by way of reimbursement, and in such installments and on such conditions, as the Secretary may determine.

GOVERNMENT CORPORATION CONTROL ACT

SEC. 1273. The provisions of the Government Corporation Control Act shall apply to the program authorized under this title to the same extent as they apply to wholly owned Government corporations.

FINALITY OF CERTAIN FINANCIAL TRANSACTIONS

SEC. 1274. Notwithstanding the provisions of any other law—

(1) any financial transaction authorized to be carried out under this title, and

(2) any payment authorized to be made or to be received in connection with any such financial transaction, shall be final and conclusive upon all officers of the Government.

ADMINISTRATIVE EXPENSES

SEC. 1275. Any administrative expenses which may be sustained by the Federal Government in carrying out the flood insurance program authorized under this title may be paid out of appropriated funds.

APPROPRIATIONS

SEC. 1276. (a) There are hereby authorized to be appropriated such sums as may from time to time be necessary to carry out this title, including sums—

(1) to cover administrative expenses authorized under section 1275;

(2) to reimburse the National Flood Insurance Fund established under section 1210 for—

(A) premium equalization payments under section 1134 which have been made from such fund; and

(B) reinsurance claims paid under the excess loss reinsurance coverage provided under section 1235; and

(3) to make such other payments as may be necessary to carry out the purposes of this title.

(b) All such funds shall be available without fiscal year limitation.

TITLE XIII—MORTGAGE INSURANCE FOR NONPROFIT HOSPITALS

AMENDMENT TO NATIONAL HOUSING ACT

SEC. 1301. Title II of the National Housing Act is amended by adding at the end thereof (after the new section added by section 307 of this Act) the following new section:

"MORTGAGE INSURANCE FOR NONPROFIT HOSPITALS

"SEC. 242. (a) The purpose of this section is to assist the provision of urgently needed hospitals for the care and treatment of persons who are acutely ill or who otherwise require medical care and related services of the kind customarily furnished only (or most effectively) by hospitals.

"(b) For the purposes of this section—

"(1) the term 'hospital' means a facility—

"(A) which provides community service for inpatient medical care of the sick or injured (including obstetrical care);

"(B) not more than 50 per centum of the total patient days of which during any year are customarily assignable to the categories of chronic convalescent and rest, drug and alcoholic, epileptic, mentally deficient, mental, nervous and mental, and tuberculosis; and

"(C) which is owned and operated by one or more nonprofit corporations or associations no part of the net earnings of which inures, or may lawfully inure, to the benefit of any private shareholder or individual; and

"(2) the terms 'mortgage' and 'mortgagor' shall have the meanings respectively set forth in section 207(a) of this Act, except that the mortgage, by the same instrument or by a separate instrument, may create a security interest in initial equipment, whether or not attached to the realty.

"(c) The Secretary is authorized to insure any mortgage (including advances on such mortgage during construction) in accordance with the provisions of this section upon such terms and conditions as he may prescribe and to make commitments for insurance of such mortgage prior to the date of its execution or disbursement thereon.

"(d) In order to carry out the purpose of this section, the Secretary is authorized to insure any mortgage which covers a new or rehabilitated hospital, including equipment to be used in its operation, subject to the following conditions:

"(1) The mortgage shall be executed by a mortgagor approved by the Secretary. The Secretary may in his discretion require any such mortgagor to be regulated or restricted as to charges and methods of financing, and, in addition thereto, if the mortgagor is a corporate entity, as to capital structure and rate of return. As an aid to the regulation or restriction of any mortgagor with respect to any of the foregoing matters, the Secretary may make such contracts with and acquire for not to exceed $100 such stock or interest in such mortgagor as he may deem necessary. Any stock or interest so purchased shall be paid for out of the General Insurance Fund, and shall be redeemed by the mortgagor at par upon the termination of all obligations of the Secretary under the insurance.

"(2) The mortgage shall involve a principal obligation in an amount not to exceed $25,000,000, and not to exceed 90 per centum of the estimated replacement cost of the property or project, including equipment to be used in the operation of the hospital, when the proposed improvements are completed and the equipment is installed.

"(3) The mortgage shall—

"(A) provide for complete amortization by periodic payments within such term as the Secretary shall prescribe (except that in the case of a mortgage which covers equipment the maturity may not exceed the reasonable use expectancy of such equipment), and

"(B) bear interest (exclusive of premium charges for insurance and service charges, if any) at not to exceed such per centum per annum (not in excess of 6 per centum), on the amount of the principal obligation outstanding at any time, as the Secretary finds necessary to meet the mortgage market.

"(4) The Secretary shall not insure any mortgage under this secton unless he has received, from the State agency designated in accordance with section 604(a)(1) of the Public Health Service Act for the State in which is located the hospital covered by the mortgage, a certification that (1) there is a need for such hospital, and (2) there are in force in such State or the political subdivision of the State in which the proposed hospital would be located reasonable minimum standards of licensure and methods of operation for hospitals. No such mortgage shall be insured under this section unless the Secretary has received such assurance as he may deem satisfactory from the State agency that such standards will be applied and enforced with respect to any hospital located in the State for which mortgage insurance is provided under this section.

"(e) The Secretary may consent to the release of a part or parts of the mortgaged property or project from the lien of any mortgage insured under this section upon such terms and conditions as he may prescribe.

"(f) The activities and functions provided for in this section shall be carried out by the agencies involved so as to encourage programs that undertake responsibility to provide comprehensive health care, including outpatient and preventive care, as well as hospitalization, to a defined population.

"(g) Notwithstanding any of the other provisions of this title, the Secretary may insure under this section a mortgage which provides permanent financing or refinancing of existing mortgage indebtedness in the case of a hospital whose permanent financing is presently lacking, if the construction of such hospital was completed between January 1, 1966, and the date of the enactment of this Act.

"(h) The provisions of subsections (d), (e), (g), (h), (i), (j), (k), (l), and (n) of section 207 shall apply to mortgages insured under this section and all references therein to section 207 shall be deemed to refer to this section."

LABOR STANDARDS

SEC. 1302. Section 212(a) of the National Housing Act is amended by inserting after the fifth sentence the following new sentence: "The provisions of this section shall also apply to the insurance of any mortgage under section 242, except that compliance with such provisions may be waived by the Secretary in cases or classes of cases where laborers or mechanics, not otherwise employed at any time on the project, voluntarily donate their services without compensation for the purpose of lowering the costs of construction and the Secretary determines that any amounts thereby saved are fully credited to the nonprofit corporation or association undertaking the construction; and each laborer or mechanic employed on any facility covered by a mortgage insured under section 242 shall receive compensation at a rate not less than one and one-half times his basic rate of pay for all hours worked in any workweek in excess of eight hours in any workday or forty hours in the workweek, as the case may be."

TITLE XIV—HOUSING GOALS AND ANNUAL HOUSING REPORT

REAFFIRMATION OF GOAL

SEC. 1401. The Congress finds that the supply of the Nation's housing is not increasing rapidly enough to meet the national housing goal, established in the Housing Act of 1949, of the "realization as soon as feasible of the goal of a decent home and a suitable living environment for every American family". The Congress reaffirms this national housing goal and determines that it should be met within the next decade by the construction or rehabilitation of twenty-six million housing units, six million of these for low and moderate income families.

ANNUAL HOUSING REPORT

SEC. 1402. The Secretary of Housing and Urban Development shall annually submit to the President and to the Council of Economic Advisers in time to provide basic material for the Economic Report of the President a report of (1) his estimate of the number of standard housing units produced through new construction and rehabilitation, private and public, in the preceding year, (2) his estimate of the number of such units produced for low and moderate income families, (3) his assessment of whether the ten-year housing goal set forth above is being met, (4) his recommendation of the current annual goal to meet the ten-year goal, and (5) his recommendations of the legislative and administrative actions necessary to achieve the ten-year goal.

TITLE XV—MISCELLANEOUS

MODEL CITIES

SEC. 1501. (a) Section 111(a) of the Demonstration Cities and Metropolitan Development Act of 1966 is amended—

(1) by striking out "and" the second time it appears; and

(2) by inserting before the period at the end thereof ", and not to exceed $12,000,000 for the fiscal year ending June 30, 1969".

(b) Section 111(b) of such Act is amended—

(1) by striking out "and" the third time it appears; and

(2) by inserting before the period at the end thereof ", and not to exceed $1,000,000,000 for the fiscal year ending June 30, 1970".

(c) Section 111(c) of such Act is amended to read as follows:

"(c) Any amounts appropriated under this section shall remain available until expended, and any amounts authorized for any fiscal year under this section but not appropriated may be appropriated for any succeeding fiscal year commencing prior to July 1, 1970."

URBAN RENEWAL DEMONSTRATION GRANT PROGRAM

SEC. 1502. (a) Section 314(a) of the Housing Act of 1954 is amended—

(1) by striking out in the first sentence "to public bodies, including cities and other political subdivisions," and inserting in lieu thereof "to public bodies (including cities and other political subdivisions) and nonprofit organizations,";

(2) by inserting after the first sentence the following: "In the case of any such grant to a nonprofit organization, the Secretary shall require that the assisted activities and undertakings are not inconsistent with the program of the local public agency."; and

(3) by striking out in the second sentence "No such grant shall exceed two-thirds of the cost, as determined or estimated by said Secretary, of such activities or undertakings," and inserting in lieu thereof the following: "No such grant shall exceed 90 per centum of the cost, as determined or estimated by the Secretary, of the assisted activities or undertakings,".

(b) Section 314(c) of such Act is amended by striking out "$10,000,000" and inserting in lieu thereof $20,000,000".

AUTHORIZATION FOR URBAN INFORMATION AND TECHNICAL ASSISTANCE SERVICES PROGRAM

SEC. 1503. (a) The first sentence of section 906 of the Demonstration Cities and Metropolitan Development Act of 1966 is amended by striking out "and not to exceed $5,000,000 for the fiscal year ending June 30, 1968" and inserting in lieu thereof "not to exceed $5,000,000 for each of the fiscal years 1968 and 1969, and not to exceed $15,000,000 for fiscal year 1970".

(b) The second sentence of section 906 of such Act is amended to read as follows: "Any amounts appropriated under this section shall remain available until expended, and any amounts authorized for any fiscal year under this section but not appropriated may be appropriated for any succeeding fiscal year commencing prior to July 1, 1970."

ADVANCES IN TECHNOLOGY IN HOUSING AND URBAN DEVELOPMENT

SEC. 1504. (a) Section 1010(d) of the Demonstration Cities and Metropolitan Development Act of 1966 is amended by inserting before the period at the end of the first sentence the following: ", which amounts shall be increased in subsequent fiscal years by such sums as may be necessary".

(b) Section 1010(c) of such Act is amended by striking out "two years" in the second sentence and inserting in lieu thereof "three years".

COLLEGE HOUSING

SEC. 1505. (a) The heading of section 401 of the Housing Act of 1950 is amended by striking out "LOANS" and inserting in lieu thereof "ASSISTANCE IN THE FORM OF LOANS OR ANNUAL GRANTS".

(b) Section 401(a) of such Act is amended to read as follows:

"(a) To assist educational institutions in providing housing and other educational facilities for students and faculties, the Secretary may make loans of funds to such institutions for the construction or purchase of such facilities or may, as an alternative to all or part of the loan (in the case of any such institution), make annual grants to the institution to reduce the cost of its borrowing from other sources for such construction or purchase: *Provided,* That no such assistance shall be provided unless (1) the educational institution involved is unable to secure the necessary funds for the construction or purchase from other sources upon terms and conditions equally as favorable as the terms and conditions applicable to loans under this title, and (2) the Secretary finds that any such construction will be undertaken in an economical manner, and that any such facilities are not or will not be of elaborate or extravagant design or materials."

(c) Section 401(c) of such Act is amended—

(1) by inserting "(1)" after "(c)";

(2) by striking out "of (1)" and "or (2)" and inserting in lieu thereof "of (A)" and "or (B)", respectively; and

(3) by adding at the end thereof the following new paragraph:

"(2) Annual grants to an educational institution with respect to any housing or other educational facilities shall be made over a fixed period not exceeding 40 years, and provision for such grants shall be embodied in a contract guaranteeing their payment over such period. Each such grant shall be in an amount equal to the difference between (A) the average annual debt service which would be required to be paid, during the life of the loan, on the amount borrowed from other sources for the construction of such facilities, and (B) the average annual debt service which the institution would have been required to pay, during the life of the loan, with respect to such amounts if the applicable interest rate were the rate specified in paragraph (1): *Provided,* That the amount on which such grant is based shall be approved by the Secretary but in no event shall exceed the total development cost of the facilities."

(d) Section 401(d) of such Act is amended by inserting "(1)" after "(d)", and by adding at the end thereof the following new paragraph:

"(2) There are hereby authorized to be appropriated to the Secretary such sums as may be necessary, together with loan principal and interest payments made by educational institutions assisted with loans made hereunder, for payments on notes or other obligations issued by the Secretary under this section."

(e) Section 401(f) of such Act is amended to read as follows:

"(f)(1) There are hereby authorized to be appropriated to the Secretary such sums as may be necessary for the payment of annual grants to educational institutions in accordance with this section.

"(2) Contracts for annual grants under this section shall not be entered into in an aggregate amount greater than is authorized in appropriation Acts; and in any event the total amount of annual grants which may be paid to educational institutions in any year pursuant to contracts entered into under this section shall not exceed $10,000,000, which amount shall be increased by $10,000,000 on July 1, 1969."

(f) Section 403 of such Act is amended by striking out "the funds provided for in this title in the form of loans" and inserting in lieu thereof "the amount of the funds provided for in this title in the form of loans, and not more than 12½ per centum of the funds provided for in this title for grants."

(g)(1) Section 401(g) of such Act is amended to read as follows:

"(g) Except as otherwise provided in the second paragraph of section 404(b), in the case of any loan which is made under this section to a nonprofit student housing cooperative corporation referred to in clause (5) of section 404(b), or which is obtained from other sources by such a corporation and is the subject of a contract for annual grants entered into under this section, the Secretary shall require that the note securing such loan be cosigned by the educational institution (referred to in clause (1) of such section) at which such corporation is located, and that, in the event of the dissolution of such corporation, title to the housing constructed with such loan will vest in such educational institution."

(2) Clause (3)(B) of section 404(b) of such Act is amended by striking out "of any loan secured under this title" and inserting in lieu thereof the following: "of any loan which is made under section 401, or is the subject of a contract for annual grants entered into under section 401,".

(3) Clause (4) of section 404(b) of such Act is amended by striking out "to obtain loans" and inserting in lieu thereof "to obtain loans or grants".

(4) The second paragraph of section 404(b) of such Act is amended by inserting after "clause (5) of this subsection," the following: "and in the case of any loan which is obtained from other sources by such a corporation and is the subject of a contract for annual grants entered into under section 401,".

(h) Section 404(c) of such Act is amended by inserting before the period at the end thereof the following: "; except that in the case of the purchase of facilities such term means the cost as approved by the Secretary".

(i) The last sentence of paragraph "Seventh" of section 5136 of the Revised Statutes (12 U.S.C. 24) (appearing immediately before the sentence added by section 811 of this Act) is amended by inserting after "the Asian Development Bank" the following: ", or obligations issued by any State or political subdivision or any agency of a State or political subdivision for housing, university, or dormitory purposes,".

HOUSING FOR THE ELDERLY

SEC. 1506. (a) Section 202(a) of the Housing Act of 1959 is amended—

(1) by inserting in paragraph (1) after "corporations," the following: "limited profit sponsors,";

(2) by inserting in paragraph (2) after "(as defined in subsection (d)(2))," the following: "to any limited profit sponsor approved by the Secretary,"; and

(3) by inserting in paragraph (3) after "Secretary" the following: ", except that in the case of other than a corporation, consumer cooperative, or public body or agency the amount of the loan shall not exceed 90 per centum of the development cost".

(b) Section 202(c)(3) of such Act is amended by striking out "full".

(c) Section 202(e) of such Act is amended—

(1) by striking out "prior to the date of enactment of the Housing Act of 1961" and inserting in lieu thereof "prior to July 1, 1967 (whether or not the insurance has actually been granted)";

(2) by inserting "or refinancing" after "financing";

(3) by inserting "foreclosure or" after "avoid"; and

(4) by inserting "tenants or" before "prospective tenants".

FEDERAL-STATE TRAINING PROGRAMS

SEC. 1507. (a) Title VIII of the Housing Act of 1964 is amended—

(1) by inserting after "urban centers," in section 801(b) the following: "and with business firms and associations, labor unions, and other interested associations and organizations,";

(2) by striking out "technical and professional people" in sections 801(b)(1) and 802(a)(1) and inserting in lieu thereof "technical, professional, and other persons with the capacity to master and employ such skills"; and

(3) by inserting after "which has responsibility for community development" in sections 801(b)(1) and 802(a)(1) the following: ", or by a private nonprofit organization which is conducting or has responsibility for housing and community development programs".

(b) Section 805 of such Act is amended by inserting "Guam, American Samoa, the Trust Territory of the Pacific Islands," after "the Commonwealth of Puerto Rico,".

ADDITIONAL ASSISTANT SECRETARY OF HOUSING AND URBAN DEVELOPMENT

SEC. 1508. (a) The first sentence of section 4(a) of the Department of Housing and Urban Development Act is amended by striking out "five" and inserting in lieu thereof "six".

(b) Paragraph (87) of section 5315 of title 5, United States Code, is amended by striking out "(4)" and inserting in lieu thereof "(6)".

INTERNATIONAL HOUSING

SEC. 1509. Section 604 of the Housing Act of 1957 is amended to read as follows:

"SEC. 604. (a) The Secretary of Housing and Urban Development may exchange data relating to housing and urban planning and development with other nations and assemble such data from other nations, through participation in international conferences and other means, where such exchange or assembly is deemed by him to be beneficial in carrying out his responsibilities under the Department of Housing and Urban Development Act or other legislation. In carrying out his responsibilities under this subsection the Secretary may—

"(1) pay the expenses of participation in activities conducted under authority of this section including, but not limited to, the compensation, travel expenses, and per diem

in lieu of subsistence of persons serving in an advisory capacity while away from their homes or regular places of business in connection with attendance at international meetings and conferences, or other travel for the purpose of exchange or assembly of data relating to housing and urban planning and development; but such travel expenses shall not exceed those authorized for regular officers and employees traveling in connection with said activities; and

"(2) accept from international organizations, foreign countries, and private nonprofit foundations, funds, services, facilities, materials, and other donations to be utilized jointly in carrying out activities under this section.

"(b) International programs and activities carried out by the Secretary under the authority provided in subsection (a) shall be subject to the approval of the Secretary of State for the purpose of assuring that such authority shall be exercised in a manner consistent with the foreign policy of the United States."

ELIGIBILITY FOR RENT SUPPLEMENT PAYMENTS

SEC. 1510. Notwithstanding any other provision of law respecting the date after which a mortgage must have been approved for mortgage insurance under section 221(d)(3) of the National Housing Act, the Secretary of Housing and Urban Development is authorized to make, and contract to make, rent supplement payments under the provisions of section 101 of the Housing and Urban Development Act of 1965 to the owners of the housing projects known as the 114th Street rehabilitation project and the 114th Street rehabilitation project numbered 2, in New York City, New York (project numbers 012–33501 and 012–33512).

CONSOLIDATION OF LOW-RENT PUBLIC HOUSING PROJECTS IN THE DISTRICT OF COLUMBIA

SEC. 1511. All projects now operated and maintained by the National Capital Housing Authority pursuant to title I of the District of Columbia Alley Dwelling Act are deemed to be low-rent housing projects and may be consolidated, pursuant to section 15(6) of the United States Housing Act of 1937, into any contract for annual contributions covering projects maintained and operated pursuant to title II of the District of Columbia Alley Dwelling Act.

URBAN RENEWAL PROJECT IN GARDEN CITY, MICHIGAN

SEC. 1512. Notwithstanding the date of commencement of construction of the Florence Primary School in Garden City, Michigan, local expenditures made in connection with such school shall, to the extent otherwise eligible, be counted as a local grant-in-aid toward the Cherry Hill urban renewal project (Mich. R–46) for purposes of title I of the Housing Act of 1949.

URBAN RENEWAL PROJECT IN SACRAMENTO, CALIFORNIA

SEC. 1513. Notwithstanding the date of commencement of construction of the storm drainage system in the Capitol Mall Riverfront urban renewal project (Calif. R–67) in Sacramento, California, local expeditures made in connection with such storm drainage system located in that project shall, to the extent otherwise eligible, be counted as a local grant-in-aid toward that project for purposes of title I of the Housing Act of 1949.

SELF-HELP STUDIES

SEC. 1514. (a) Section 207 of the Housing Act of 1961 is amended by inserting after the words "improved means" the following: ", including the study of self-help in the construction, rehabilitation, and maintenance of housing for low-income persons and families and the methods of selecting, involving, and directing such persons and families in self-help activities,".

(b) The Secretary of Housing and Urban Development shall make a report to the Congress, within one year after the date of enactment of this Act, setting forth the results of the self-help studies and demonstrations carried out under section 207 of the Housing Act of 1961, together with such recommendations as he deems appropriate.

EARTHQUAKE STUDY

SEC. 1515. Section 5 of the Southeast Hurricane Disaster Relief Act of 1965 is amended by striking out "three years after the appropriation of funds for this study" and inserting in lieu thereof "June 30, 1969".

HOME OWNERS' LOAN ACT OF 1933

SEC. 1516. (a) Section 5(b) of the Home Owners' Loan Act of 1933 is amended to read as follows:

"(b)(1) An association may raise capital in the form of such savings deposits, shares, or other accounts, for fixed, minimum, or indefinite periods of time (all of which are referred to in this section as savings accounts and all of which shall have the same priority upon liquidation) as are authorized by its charter or by regulations of the Board, and may issue such passbooks, time certificates of deposit, or other evidence of savings accounts as are so authorized. Holders of savings accounts and obligors of an association shall, to such extent as may be provided by its charter or by regulations of the Board, be members of the association, and shall have such voting rights and such other rights as are thereby provided. Except as may be otherwise authorized by the association's charter or regulation of the Board in the case of savings accounts for fixed or minimum terms of not less than thirty days, the payment of any savings account shall be subject to the right of the association to require such advance notice, not less than thirty days, as shall be provided for by the charter of the association or the regulations of the Board. The payment of withdrawals from savings accounts in the event an association does not pay all withdrawals in full (subject to the right of the association to require notice) shall be subject to such rules and procedures as may be prescribed by the association's charter or by regulation of the Board, but any association which, except as authorized in writing by the Board, fails to make full payment of any withdrawal when due shall be deemed to be in an unsafe or unsound condition to transact business within the meaning of subsection (d) of this section. Savings accounts shall not be subject to check or to withdrawal or transfer on negotiable or transferable order or authorization to the association, but the Board may by regulation provide for withdrawal or transfer of savings accounts upon nontransferrable order or authorization.

"(2) To such extent as the Board may authorize by regulation or advice in writing, an association may borrow, may give security, and may issue such notes, bonds, debentures, or other obligations, or other securities (except capital stock) as the Board may so authorize."

(b) Section 5(c) of the Home Owners' Loan Act of 1933 is amended—

(1) by striking out "shares" in the first sentence and inserting in lieu thereof "savings accounts or securities"; and

(2) by inserting after the first semicolon in the second proviso the following words: "or in time deposits, certificates, or accounts of any bank the deposits of which are insured by the Federal Deposit Insurance Corporation;".

(c) Section 5(c) of such Act is amended by adding immediately after the second paragraph thereof the following new paragraph:

"Without regard to any other provision of this subjection, but subject to such prohibitions, limitations, and conditions as the Board may by regulation prescribe, any such association may make and invest in—

"(A) any loan not exceeding $5,000 for the repair, equipping, alteration, or improvement of any real property, or

"(B) any loan for the purpose of mobile home financing."

(d) Section 5(c) of such Act is amended by adding at the end thereof a new paragraph as follows:

"Any such association may invest in loans, or interests in loans secured by loans, obligations, or investments in which it has any statutory authority to invest directly."

FEDERAL HOME LOAN BANK ACT

SEC. 1517. Section 12 of the Federal Home Loan Bank Act, as amended (12 U.S.C. 1432), is amended by inserting "(a)" after "SEC. 12.", and by adding at the end thereof a new subsection as follows:

"(b) Subject to such regulations as may be prescribed by the Board, one or more Federal home loans banks may acquire, hold, or dispose of, in whole or in part, or facilitate such acquisition, holding, or disposition by members of any such bank of, housing project loans, or interests therein, having the benefit of any guaranty under section 221 of the Foreign Assistance Act of 1961, as now or hereafter in effect, or loans, or interests therein, having the benefit of any guaranty under section 224 of such Act, or any commitment or agreement with respect to such loans, or interests therein, made pursuant to either of such sections."

TECHNICAL AMENDMENTS

SEC. 1518. (a) Section 110(c) of the Housing Act of 1949 is amended by striking out "paragraphs (7), (8), and (9)" in the second unnumbered paragraph following the numbered paragraphs and inserting in lieu thereof "paragraphs (7), (8), (9), and (10)".

(b) Section 110(d) of the Housing Act of 1949 is amended by striking out "clauses (2), (3)" and inserting in lieu thereof "clauses (2), (3), (7)".

(c) Section 110(e) of the Housing Act of 1949 is amended by striking out "and (9)" in clause (i) and inserting in lieu thereof "(9), and (10)".

(d) Section 1101(c)(3) of the National Housing Act is amended by inserting "from the beginning of amortization of the mortgage" immediately after "twenty-five years".

(e) Section 213(o) of the National Housing Act is amended by adding at the end thereof four new sentences as follows: "Moneys in the Cooperative Management Housing Insurance Fund not needed for current operations of the fund shall be deposited with the Treasurer of the United States to the credit of the Cooperative Management Housing Insurance Fund or invested in bonds or other obligations of, or in bonds or other obligations guaranteed as to principal and interest by, the United States. The Secretary may, with the approval of the Secretary of the Treasury, purchase in the open market debentures which are the obligations of the Cooperative Management Housing Insurance Fund. Such purchases shall be made at a price which will provide an investment yield of not less than the yield obtainable from other investments authorized by this subsection. Debentures so purchased shall be canceled and not reissued."

(f) Section 810(e) of the National Housing Act is amended—

(1) by striking out "private corporation, association, cooperative society, or trust" in the first sentence and inserting in lieu thereof "mortgagor approved by the Secretary", and

(2) by striking out "corporation, association, cooperative society, or trust" in the third and fourth sentences and inserting in lieu thereof "mortgagor".

(g) Section 220(d)(2)(B) of the National Housing Act is amended by striking out "corporations restricted by" and inserting in lieu thereof "corporations or other legal entities restricted by or under".

The SPEAKER. The question is on the motion offered by the gentleman from Texas [Mr. PATMAN].

The motion was agreed to.

The Senate bill was ordered to be read a third time, was read a third time and passed, and a motion to reconsider was laid on the table.

A similar House bill (H.R. 17989) was laid on the table.

APPOINTMENT OF CONFEREES ON S. 3497, HOUSING AND URBAN DEVELOPMENT ACT OF 1968

Mr. PATMAN. Mr. Speaker, I ask unanimous consent to take from the Speaker's desk the bill (S. 3497) to assist in the provision of housing for low- and moderate-income families, and to extend and amend laws relating to housing and urban development, insist on the House amendment, and request a conference with the Senate thereon.

The SPEAKER. Is there objection to the request of the gentleman from Texas? The Chair hears none, and appoints the following conferees: Messrs. PATMAN, BARRETT, Mrs. SULLIVAN, Messrs. REUSS, ASHLEY, MOORHEAD, WIDNALL, Mrs. DWYER, and Mr. BROWN of Michigan.

GENERAL LEAVE

Mr. PATMAN. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to extend their remarks and include extraneous material on the bill just passed.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

There was no objection.

FURTHER MESSAGE FROM THE SENATE

A further message from the Senate by Mr. Arrington, one of its clerks, announced that the Senate insists upon its amendments to the bill (H.R. 12120) entitled "An act to assist courts, correctional systems, and community agencies to prevent, treat, and control juvenile delinquency; to support research and training efforts in the prevention, treatment, and control of juvenile delinquency; and for other purposes," disagreed to by the House; agrees to the conference asked by the House on the disagreeing votes of the two Houses thereon, and appoints Mr. CLARK, Mr. RANDOLPH, Mr. NELSON, Mr. JAVITS, and Mr. PROUTY to be the conferees on the part of the Senate.

The message also announced that the Senate disagrees to the amendments of the House to the bill (S. 3418) entitled "An act to authorize appropriations for the fiscal years 1970 and 1971 for the construction of certain highways in accordance with title 23 of the United States Code, and for other purposes," requests a conference with the House on the disagreeing votes of the two Houses thereon, and appoints Mr. RANDOLPH, Mr. GRUENING, Mr. JORDAN of North Carolina, Mr. BAYH, Mr. YOUNG of Ohio, Mr. COOPER, Mr. FONG, and Mr. JORDAN of Idaho to be the conferees on the part of the Senate.

MARITIME AUTHORIZATION—CONFERENCE REPORT

Mr. LENNON filed the following conference report and statement on the bill (H.R. 15189) to authorize appropriations for certain maritime programs of the Department of Commerce:

CONFERENCE REPORT (H. REPT. No. 1678)

The committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H.R. 15189) to authorize appropriations for certain maritime programs of the Department of Commerce, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the House recede from its disagreement to the amendment of the Senate numbered 1 and agree to the same with an amendment as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following: "$200,000,000"; and the Senate agree to the same.

That the House recede from its disagreement to the amendment of the Senate numbered 2 and agree to the same with an amendment as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following: "$10,960,000"; and the Senate agree to the same.

EDWARD A. GARMATZ,
THOMAS N. DOWNING,
ALTON LENNON,
WM. S. MAILLIARD,
THOMAS M. PELLY,
Managers on the Part of the House.

WARREN G. MAGNUSON,
DANIEL B. BREWSTER,
ROBERT P. GRIFFIN,
WINSTON PROUTY,
Managers on the Part of the Senate.

STATEMENT

The managers on the part of the House at the conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H.R. 15189) to authorize appropriations for certain maritime programs of the Department of Commerce, submit the following statement in explanation of the effect of the action agreed upon by the conferees and recommended in the accompanying conference report:

Amendment No. 1: Paragraph (a) of the first section of the House bill authorized an appropriation of $237,470,000 for acquisition, construction, or reconstruction of vessels and construction-differential subsidy and cost of national defense features incident to the construction, reconstruction, or reconditioning of ships. Senate amendment No. 1 struck out the House figure and proposed an authorization of $119,800,000. The House recedes with an amendment which provides an authorization of $200,000,000.

Amendment No. 2: Paragraph (c) of the first section of the House bill authorized an appropriation of $11,000,000 for research and development activities. Senate amendment No. 2 struck out the House figure and proposed an authorization of $6,700,000. The House recedes with an amendment which provides an authorization of $10,960,000.

EDWARD A. GARMATZ,
THOMAS N. DOWNING,
ALTON LENNON,
WM. S. MAILLIARD,
THOMAS M. PELLY,
Managers on the Part of the House.

LEGISLATIVE PROGRAM

(Mr. GERALD R. FORD asked was given permission to address the House for 1 minute.)

Mr. GERALD R. FORD. Mr. Speaker, I have asked for this time to ask the distinguished majority leader about the program for tomorrow and the remainder of the week.

Mr. ALBERT. Mr. Speaker, will the gentleman yield?

Mr. GERALD R. FORD. I yield to the gentleman.

Mr. ALBERT. In response to the inquiry of the minority leader, we have three conference reports to be called up as the first order of business tomorrow, as follows:

First, the Department of the Interior appropriations; second, the International Claims Settlement Act; and third, the Military Construction Authorization Act.

We will then proceed to the consideration of the bill S. 3293, the Defense Procurement Authorization Act, fiscal year 1969, which is under a 2-hour rule.

On Friday, we have scheduled H.R. 15758, to amend the Public Health Service Act. We intend to finish that bill.

There may be additions to Friday's program tomorrow. We are moving over until next week the following:

First, the foreign aid bill; and second, the State Firearms Control Assistance Act of 1968.

Mr. GERALD R. FORD. I thank the distinguished majority leader.

A RESOLUTION TO ADD FOUR WORDS TO THE FIFTH AND ONE WORD TO THE SIXTH ARTICLE OF THE AMENDMENT TO THE U.S. CONSTITUTION

(Mr. ROUSH asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. ROUSH. Mr. Speaker, I am today introducing in the House of Representatives a resolution to add four words to the fifth and one word to the sixth article of the amendment to the U.S. Constitution.

The fifth amendment protection against a criminal defendant's testifying against himself would continue under all circumstances "except in open court."

To the sixth amendment requirement that a criminal defendant be informed of the "nature and cause of the accusation" would be added to the requirement that he be informed of the "evidence" of the accusation.

My proposal, then, might be called "The tell it like it is" amendment.

The administration of criminal justice is far too serious to be governed by a game of hide-and-seek. The basic question which has bothered me since my law school days is, "Why the big secret when it comes to ascertaining truth in a criminal case?"

Why should the State's evidence be a secret to spring as a surprise on the defendant in court? Why, once in open court, with the full protection of due process, rules of evidence, counsel and all the world looking on, should the defendant not be required simply to tell what he knows relevant to his case?

In other words, my proposal would open the door both ways to prosecution and defense for the purpose of shedding reasonable light on truth.

Without doubt some will charge that I want to deny logical rights to a criminal

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land to the South Carolina State Commission of Forestry so as to permit such Commission, subject to a certain condition, to exchange such lands (S. Rept. 1380). p. S8423

Began consideration of S. 1385, relating to the disposition by the Secretary of the Interior of moneys obtained from the sale of materials from public lands. p. S8536

16. OCEANOGRAPHY. The Commerce Committee reported with amendments H. R. 13781, to authorize funds for sea-grant colleges and ocean exploration (S. Rept. 1381). p. S8423

17. TRANSPORTATION. The Commerce Committee reported with amendment S. 858, to amend the Interstate Commerce Act, with respect to recovery of a reasonable attorney's fee in case of successful maintenance of an action for recovery of damages sustained in transportation of property (S. Rept. 1389). pp. S8423-4

18. GRAINS. Passed as reported H. R. 15794, to provide for United States standards and a national inspection system for grain (pp. S8405-7). At the request of Sen. Mansfield an excerpt from the report listing the significant changes made by the bill was inserted as follows:

"(1) Inspection would not be required for any shipment of grain in domestic commerce, except grain in a container bearing a grade designation;

"(2) Additional inspection services, such as inspection of U.S. grain in Canadian ports (now furnished under the Agricultural Marketing Act of 1946), protein tests, and weighing of sacked grain, would be available upon request (now only grading services in the United States are available under the act);

"(3) The lead time for effecting changes in the standards would be increased from 90 days to 1 year;

"(4) Submitted samples could be used in lieu of official samples in official inspection of interstate shipments and of grain in Canadian ports;

"(5) Samplers and laboratory technicians employed by official inspection agencies would be required to have licenses;

"(6) Inspectors' licenses would be issued for 3-year periods (instead of permanently); and

"(7) New enforcement procedures would be provided, including refusal of inspection service; examination of records; subpena power; exemption from prosecution of witnesses compelled to give self-incriminating testimony; additional specified offenses; and increased penalties."

19. TRADE. Passed with amendment S. 3065, to provide for temporary injunctions or restraining orders for certain violation of the Federal Trade Commission Act. pp. S8465-80, S8502

The Commerce Committee voted to report (but did not actually report) S. 3704, to continue authority to promote U. S. foreign commerce through the use of mobile trade fairs (amended). p. D666

20. HOUSING. Conferees were appointed on S. 3497, the housing bill (p. S8480). House conferees have been appointed.

21. APPROPRIATIONS. Both Houses agreed to the conference report on H. R. 17354, the Interior and related agencies appropriation bill, 1969 (includes Forest Service) (pp. S8497-8502, H6324-30). This bill will now be sent to the President.

22. MILITARY CONSTRUCTION. Both Houses agreed to the conference report on H. R. 16703, the military construction authorization bill which includes CCC debt payment for prior years military family housing overseas (pp. S8516-17, H6334-41). This bill will now be sent to the President.

23. HEALTH; SAFETY. The Commerce Committee voted to report (but did not actually report) H. R. 10790, to provide for the protection of the public health from radiation emissions from electronic devices (amended). p. D665

Sen. Magnuson commended the Council on Family Health for its efforts in helping to educate the public and in developing additional approaches to bring safety to every home. pp. S8412-3

24. WILDLIFE. The Commerce Committee voted to report (but did not actually report) H. R. 25, authorizing cooperation with the States in protecting and developing estuarine area of the counties which have sporting, scenic, or recreational value (amended). p. D666

25. FOREIGN CURRENCIES. Received from this Dept. a report of agreements signed in May and June 1968 for use of foreign currencies. p. S8421

26. WATERSHEDS. Received from this Dept. plans for works of improvement on various watershed projects; to Agriculture and Forestry and Public Works Committees. pp. S8421-1

27. AGING. Sen. Moss announced hearings before the Special Committee on Aging on the "Usefulness of the Model Cities Program to the Elderly," to begin on July 23. p. S8439

28. FLOOD CONTROL. Sen. Mansfield commended Senate passage of the public works rivers and harbors-flood control authorization bill. p. S8444

29. BUDGET. Sen. Case stated "the proliferation of Federal programs and dollars has not...disposed of our problems" and inserted an article, "How Much Can the Federal Budget Do? p. S8445

30. ENVIRONMENTAL SCIENCES. Sen. Yarborough stated "man is exploiting his environment to the fullest with little regard for the consequences of this development", and inserted articles on the subject. pp. S8457-8

31. POLLUTION. Sen. Bayh discussed efforts by major industries in Indiana to reduce air and water pollution and inserted an article on the subject. pp. S8460-2

32. FARM LABOR. Sen. Morse inserted material reflecting the views of farmers concerning the matter of extension of the National Labor Relations Act provisions to agricultural workers. pp. S8481-71

tion and look closely at whether the Commission has presented all the prima facie evidence in the case. And I do not think it is mandatory on the court—I may be wrong—that just because the Commission says it has "reason to believe," even though the prima facie case is not what it ought to be or one that would cause a reasonable person to have "reason to believe" that the court would be bound by it.

Mr. HRUSKA. Mr. President, I am glad the Senator from Washington made the remarks he has just made. It shows that he is a very careful lawyer.

Mr. MAGNUSON. It also require that the injunction be to the "interest of the public." That is a pretty broad test.

Mr. HRUSKA. Mr. President, so that I understand correctly, it is the position and the interpretation of the chairman of the committee that the provisions of the bill would enable the judge to look at the recitations and the showing made by the Commission and defendant, and that he would want to be persuaded and satisfied from all of these circumstances that a case of flagrant abuse does exist and therefore should be stopped.

Mr. MAGNUSON. I do not have cases here. However, I understand that the court on many occasions has refused to act upon a Commission. But application for injunctive relief. But it is clear that it would involve determining whether the Commission has presented a prima facie case, and also—as the bill states—it must consider whether the granting of injunctive relief would be "to the interest of the public." In determining whether this requirement is satisfied, the committee intends that a court should employ its customary balancing test, by weighting the potential harm to consumers from continuation of the challenged conduct against the injury which a defendant might suffer if his conduct is enjoined unfairly.

I do not know how they can define it plainer than that.

Mr. HRUSKA. That is fine. I think that is a declaration and a restatement of the sense of the amendment which I will offer later.

Mr. MAGNUSON. Mr. President, only if the court is satisfied that these two conditions have been met, has the Commission made the "proper showing" necessary to justify the issuance of an injunction.

Mr. HRUSKA. What proper showing? A proper showing that the Commission is satisfied or that the court is satisfied?

Mr. MAGNUSON. No. The court would have to be satisfied that these two conditions have been met.

Mr. HRUSKA. Then that would be very fine. I hope that the memorandum to which the Senator has referred will be preserved as against the time when I would like to confer with him and show him the language of my amendment. I believe it will be within the memorandum to which he referred and should render the amendment acceptable to him.

It is my hope that there will be a favorable action upon the amendment of the Senator from New Hampshire. It will, however, be preliminary to my amendment which I intend to follow up on at a later time during the debate.

Mr. COTTON. Mr. President, will the Senator yield?

Mr. HRUSKA. I yield.

Mr. COTTON. Mr. President, the Senator from Nebraska was not present when I stated the portion of the bill that I am attempting to deal with. It is in the very last part. It states: "Upon a proper showing, a temporary injunction or restraining order shall be granted without bond."

My amendment would provide that it must be a preliminary injunction which calls for notice.

I stated that if the amendment is not agreed to, I would offer immediately another amendment which would require a bond, because it seems to be only ordinary commonsense to me that if we are going to deal with a businessman or concern and operate upon him in an ex parte proceeding and deal with a temporary injunctive process, one of two things should be involved: He should either have notice and an opportunity to present his case or, if he does not, there should be a bond so that if irreparable injury is caused him or his business, he has recourse. One or the other condition should be involved.

If my amendment is agreed to, I will be satisfied. If the amendment is rejected, I intend immediately to offer another amendment which would require a bond.

Mr. HRUSKA. Mr. President, I hope it will not be necessary for me to support the second amendment the Senator will offer. It is my hope that his first amendment will be agreed to.

Mr. COTTON. Mr. President, I merely explain that because the Senator from Nebraska has an amendment he intends to offer.

Mr. HRUSKA. The Senator is correct. The amendment I am seeking to offer would go particularly to the words "proper showing." What does a proper showing consist of?

Mr. COTTON. I understand that. However, I hope the Senator will not have to offer it now. I hope the Senator will let me get a quick vote on my second amendment before he offers his amendment.

Mr. HRUSKA. That will be fine.

Mr. MAGNUSON. Mr. President, I would think a proper showing would mean that the judge would be convinced. I also would suppose that before the Federal Trade Commission went into court they would make up their minds. Many times they have gone into court and the judge would say: "No. I will not grant the injunction."

Mr. HRUSKA. That is fine. Then the Senator will not have any objection to the amendment I may offer.

Mr. MAGNUSON. The Commission would have made up their minds that they have reason to believe these facts.

Mr. HRUSKA. And that is why they are in court.

Mr. MAGNUSON. The Senator is correct. And if the court decides that matter, it must be exercising some discretion.

Mr. HRUSKA. That is why I say in the amendment, to make the colloquy clear, the following:

> Upon proper showing, the court, in its sound discretion, may grant a preliminary injunction or restraining order without bond as it shall deem just in the premises, under the same conditions and principles as injunctive relief against conduct or threatened conduct that will cause loss or damage is granted by courts of equity and upon a showing that the danger of irreparable loss or damage to the public is over immediately.

I submit that is a paraphrasing of what the Senator said relating to the exercise by the court of its sound, judicial discretion.

Mr. MAGNUSON. And it would be in the public interest.

Mr. HRUSKA. The Senator is correct.

Mr. MAGNUSON. Mr. President, I wanted it to be clear. I think we are all in close agreement about this matter. We are making a good legislative history and understand what we mean. However, we are using language that is identical in the injunction provisions of the Flammable Fabrics Act. Nobody offered an amendment to that language. The language in the Fur Products Labeling Act—and I handled both of these measures on the floor—is identical. There was no amendment offered to that language. It is identical.

The same language is in the Wool Labeling Act. All of those laws are administered by the Commission. The language is identical to the injunctive provisions contained in the Federal Power Act. Now we are proposing to change it.

I think that as a matter of policy, we ought to have the language in all of them or in none of them.

Mr. HRUSKA. The courts are the ones who have changed it. The courts have said in some instances that it is enough for the Commission to be satisfied. In other instances, they have said that the court must be satisfied.

Mr. MAGNUSON. Mr. President, how are we going to legislate satisfaction in a court?

Mr. HRUSKA. By agreeing to my amendment.

Mr. MAGNUSON. It would just give the court authority which it now has. The court can turn it down now.

Mr. HRUSKA. Some courts say that they do not have this power. All they have to do is to consider that the Commission recites in its application that it, the Commission, is convinced that the case is one of flagrant abuse and detrimental to the interest of the public. That is all they have to show.

I know that the Senator from Washington would not be satisfied with that interpretation.

Mr. MAGNUSON. All that the Commission has to say is: "Mr. Judge, we have reason to believe," and the judge can say it is mandatory and grant the injunction.

Mr. HRUSKA. Exactly. And that is what the court said.

Mr. MAGNUSON. That is not what many courts have done.

Mr. HRUSKA. That is what the court said in the case of Federal Trade Commission against Rhodes Pharmacal Co. The court said:

> We think it is fair to say that all the Commission had to show was a justifiable basis for believing. . . .

And then the injunction must issue.

Mr. MAGNUSON. I suppose they have denied injunctions, too.

I know some Federal judges who would not grant a temporary restraining order under any circumstances. They would rather let it be appealed. I know others who will say, "You have not made a prima facie case."

Some judges may accept what the Senator has read. They do not even need to say anything. All that is necessary is to bring the paper in and say, "We have reason to believe."

Mr. HRUSKA. And it is that contingency that the amendment seeks to prevent.

Mr. MAGNUSON. In any event, we have made some legislative history.

Mr. HRUSKA. That is correct.

Mr. MAGNUSON. If that is to be the policy, I hope the Senator from Nebraska, who is a prominent member of the Committee on the Judiciary, would seek to have that language included in all the other acts.

Mr. HRUSKA. I would be in favor of it. I believe it should be done, Mr. President. That is not to say that the Senator from Washington did not do a good job in the other acts.

We get into trouble because of the inconsistent rulings within the Federal judiciary system in construing those acts.

Mr. MAGNUSON. I have heard many times that when the Federal Trade Commission comes in, the Federal judges think they ought to go along with the Federal Government.

Mr. HRUSKA. Because of their expertise.

Mr. MAGNUSON. Because of their expertise, and because they are part of it. But my experience with Federal judges is that they are the most independent people in the world once they get on the bench.

AUTO THEFT PREVENTION ACT

The PRESIDING OFFICER (Mr. HOLLINGS in the chair). The hour of 2 o'clock having arrived, the Chair lays before the Senate the unfinished business, which will be stated.

The BILL CLERK. A bill (H.R. 14935) to amend title 39, United States Code, to regulate the mailing of master keys for motor vehicle ignition switches, and for other purposes.

Mr. BYRD of West Virginia. Mr. President, I ask unanimous consent that the unfinished business be temporarily laid aside and that the Senate continue its consideration of S. 3065.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered.

AMENDMENT OF THE FEDERAL TRADE COMMISSION ACT

The Senate resumed the consideration of the bill (S. 3665) to amend the Federal Trade Commission Act, as amended, by providing for temporary injunctions or restraining orders for certain violations of that act.

Mr. COTTON. Mr. President, I am sure that all 100 Members of the Senate have listened to these arguments and will be able to vote with full knowledge. I hope we can vote at this time.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from New Hampshire. On this question the yeas and nays have been ordered, and the clerk will call the roll.

The bill clerk called the roll.

Mr. BYRD of West Virginia. I announce that the Senator from Nevada [Mr. CANNON], is absent on official business.

I also announce that the Senator from Alaska [Mr. BARTLETT], the Senator from Idaho [Mr. CHURCH], the Senator from Louisiana [Mr. ELLENDER], the Senator from Arkansas [Mr. FULBRIGHT], the Senator from Alaska [Mr. GRUENING], the Senator from Oklahoma [Mr. HARRIS], the Senator from Indiana [Mr. HARTKE], the Senator from Massachusetts [Mr. KENNEDY], the Senator from Ohio [Mr. LAUSCHE], the Senator from Missouri [Mr. LONG], the Senator from Louisiana [Mr. LONG], the Senator from Minnesota [Mr. MCCARTHY], the Senator from Arkansas [Mr. MCCLELLAN], the Senator from South Dakota [Mr. MCGOVERN], and the Senator from Minnesota [Mr. MONDALE], are necessarily absent.

I further announce that, if present and voting, the Senator from Alaska [Mr. BARTLETT], the Senator from Louisiana [Mr. ELLENDER], the Senator from Oklahoma [Mr. HARRIS], the Senator from Alaska [Mr. GRUENING], and the Senator from Louisiana [Mr. LONG] would each vote "nay."

Mr. KUCHEL. I announce that the Senator from Colorado [Mr. ALLOTT] is absent on official business.

The Senator from New York [Mr. JAVITS] and the Senators from Illinois [Mr. DIRKSEN and Mr. PERCY] are necessarily absent.

If present and voting, the Senator from Colorado [Mr. ALLOTT] and the Senator from Illinois [Mr. PERCY] would each vote "yea."

On this vote, the Senator from Illinois [Mr. DIRKSEN] is paired with the Senator from New York [Mr. JAVITS]. If present and voting, the Senator from Illinois would vote "yea" and the Senator from New York would vote "nay."

The result was announced—yeas 42, nays 37, as follows:

[No. 209 Leg.]

YEAS—42

Aiken	Fong	Mundt
Baker	Griffin	Murphy
Bennett	Hansen	Pearson
Boggs	Hatfield	Prouty
Brooke	Hickenlooper	Scott
Byrd, Va.	Hill	Smith
Carlson	Hollings	Spong
Cooper	Hruska	Stennis
Cotton	Jordan, N.C.	Talmadge
Curtis	Jordan, Idaho	Thurmond
Dominick	Kuchel	Tower
Eastland	McIntyre	Williams, Del.
Ervin	Miller	Young, N. Dak.
Fannin	Morton	Young, Ohio

NAYS—37

Anderson	Inouye	Pell
Bayh	Jackson	Proxmire
Bible	Magnuson	Randolph
Brewster	Mansfield	Ribicoff
Burdick	McGee	Russell
Byrd, W. Va.	Metcalf	Smathers
Case	Monroney	Sparkman
Clark	Montoya	Symington
Dodd	Morse	Tydings
Gore	Moss	Williams, N.J.
Hart	Muskie	Yarborough
Hayden	Nelson	
Holland	Pastore	

NOT VOTING—20

Allott	Gruening	Long, La.
Bartlett	Harris	McCarthy
Cannon	Hartke	McClellan
Church	Javits	McGovern
Dirksen	Kennedy	Mondale
Ellender	Lausche	Percy
Fulbright	Long, Mo	

So Mr. COTTON's amendment was agreed to.

HOUSING AND URBAN DEVELOPMENT ACT OF 1968

Mr. SPARKMAN. Mr. President, I ask the Chair to lay before the Senate a message from the House of Representatives on S. 3497.

The PRESIDING OFFICER (Mr. HOLLINGS in the chair) laid before the Senate the amendment of the House of Representatives to the bill (S. 3497) to assist in the provisions of housing for low- and moderate-income families, and to extend and amend laws relating to housing and urban development, which was to strike out all after the enacting clause, and insert:

(For text of the amendment see House proceedings of July 10, 1968, pages H6267–H6301, inclusive, CONGRESSIONAL RECORD.)

Mr. SPARKMAN. Mr. President, I move that the Senate disagree to the amendment of the House and ask a conference with the House of Representatives thereon, and that the Chair appoint the conferees on the part of the Senate.

The motion was agreed to; and the Presiding Officer (Mr. HOLLINGS in the chair), appointed Mr. SPARKMAN, Mr. PROXMIRE, Mr. WILLIAMS of New Jersey, Mr. MUSKIE, Mr. BENNETT, Mr. TOWER, and Mr. PERCY conferees on the part of the Senate.

Mr. COTTON. Mr. President, I move that the vote by which the amendment was adopted be reconsidered.

Mr. HRUSKA. Mr. President, I move that the motion to reconsider be laid on the table.

The motion to lay on the table was agreed to.

MESSAGE FROM THE HOUSE

A message from the House of Representatives by Mr. Bartlett, one of its reading clerks, announced that the House had agreed to the report of the committee of conference on the disagreeing votes the two Houses on the amendments of the Senate to the bill (H.R. 17354) making appropriations for the Department of the Interior and related agencies for the fiscal year ending June 30, 1969, and for other purposes; that the House receded from its disagreement to the amendments of the Senate numbered 6, 7, 8, 11, and 36 to the bill, and concurred therein.

The message also announced that the House had agreed to the report of the committee on conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H.R. 9063) to amend the International Claims Settlement Act of 1949, as amended, to provide for the timely determination of certain claims of American nationals, and for other purposes.

The message further announced that the House insisted upon its amendments

DIGEST of Congressional Proceedings

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

UNITED STATES DEPARTMENT OF AGRICULTURE
WASHINGTON, D. C. 20250
OFFICIAL BUSINESS

POSTAGE AND FEES PAID
U. S. DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE
(FOR INFORMATION ONLY;
NOT TO BE QUOTED OR CITED)

Issued July 24, 1968
For actions of July 23, 1968
90th-2nd; No. 128

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HIGHLIGHTS: See page 6

HOUSE

1. FHA LOANS. The Rules Committee reported a resolution for the consideration of H. R. 18209, to provide for loans to supplement farm income and to provide for additional recreation loans, extend the period for water and sewer grants prior to completion of a comprehensive plan, increase the amount of unsold insured loans that may be made out of the fund, raise the aggregate annual limits on grants, and remove the annual ceiling on insured loans. p. H7355

ilies for which the national goal has not become a reality; and in the carrying out of such programs there should be the fullest practicable utilization of the resources and capabilities of private enterprise and of individual self-help techniques.

JOBS IN HOUSING; EMPLOYMENT OPPORTUNITIES FOR LOWER INCOME PERSONS IN CONNECTION WITH ASSISTED PROJECTS

SEC. 3. In the administration of the programs authorized by sections 235 and 236 of the National Housing Act, the below-market interest rate program under section 221 (d) (3) of such Act, the low-rent public housing program under the United States Housing Act of 1937, and the rent supplement program under section 101 of the Housing and Urban Development Act of 1965, the Secretary of Housing and Urban Development shall—

(1) require, in consultation with the Secretary of Labor, that to the greatest extent feasible opportunities for training and employment arising in connection with the planning, construction, rehabilitation, and operation of housing assisted under such programs be given to lower income persons residing in the area of such housing; and

(2) require, in consultation with the Administrator of the Small Business Administration, that to the greatest extent feasible contracts for work to be performed pursuant to such programs shall, where appropriate, be awarded to business concerns, including but not limited to individuals or firms doing business in the fields of design, architecture, building construction, rehabilitation, maintenance, or repair, located in or owned in substantial part by persons residing in the area of such housing.

IMPROVED ARCHITECTURAL DESIGN IN GOVERNMENT HOUSING PROGRAMS

SEC. 4. The Congress finds that Federal aids to housing have not contributed fully to improvement in architectural standards. This objective has been contemplated in Federal housing legislation since the establishment of mortgage insurance through the Federal Housing Administration.

The Congress commends the Department of Housing and Urban Development for its recent efforts to improve architectural standards through competitive design awards and in other ways but at the same time recognizes that this important objective requires high priority if Federal aid is to make its full communitywide contribution toward improving our urban environment.

The Congress further finds that even within the necessary budget limitations on housing for low and moderate income families architectural design could be improved not only to make the housing more attractive but to make it better suited to the needs of occupants.

The Congress declares that in the administration of housing programs which assist in the provision of housing for low and moderate income families, emphasis should be given to encouraging good design as an essential component of such housing and to developing housing which will be of such quality as to reflect its important relationship to the architectural standards of the neighborhood and community in which it is situated, consistent with prudent budgeting.

ANNUAL REPORT ON AREAS OF PROGRAM ADMINISTRATION AND MANAGEMENT WHICH REQUIRE IMPROVEMENT

SEC. 5. The Secretary shall, as early as practicable in the calendar year 1969 and in the calendar year 1970, make a report to the respective Committees on Banking and Currency of the House of Representatives and the Senate identifying specific areas of program administration and management which require improvement, describing actions taken and proposed for the purpose of making such improvements, and recommending such legislation as may be necessary to accomplish such improvements. Each such report shall include, but not be limited to, the following areas of program administration and management: uniformity and standardization in program requirements, simplification of program procedures, ways and means of expediting consideration of proposed projects and applications for assistance, the provision of more useful and specific assistance to communities, organizations and individuals seeking to utilize the Department's programs, and ways and means of combining or otherwise adapting the Department's programs to increase their usefulness in meeting the individual needs of applicants.

TITLE I—LOWER INCOME HOUSING

HOMEOWNERSHIP FOR LOWER INCOME FAMILIES

SEC. 101. (a) Title II of the National Housing Act is amended by adding at the end thereof the following new section:

"HOMEOWNERSHIP FOR LOWER INCOME FAMILIES

"SEC. 235. (a) For the purpose of assisting lower income families in acquiring homeownership or in acquiring membership in a cooperative association operating a housing project, the Secretary is authorized to make, and to contract to make, periodic assistance payments on behalf of such homeowners and cooperative members. The assistance shall be accomplished through payments to mortgagees holding mortgages meeting the special requirements specified in this section.

"(b) To qualify for assistance payments, the homeowner or the cooperative member shall be of lower income and satisfy eligibility requirements prescribed by the Secretary, and—

"(1) the homeowner shall be a mortgagor under a mortgage which meets the requirements of and is insured under subsection (i) or (j)(4) of this section: Provided, That a mortgage meeting the requirements of subsection (i)(3)(A) of this section but insured under section 237 may qualify for assistance payments if such mortgage was executed by a mortgagor who is determined not to be an acceptable credit risk for mortgage insurance purposes (but otherwise eligible) under subsection (j)(4) of this section or under section 221(d)(2) or 234(c) and accepted as a reasonably satisfactory credit risk under section 237; or

"(2) the cooperative association of which the family is a member shall operate a housing project the construction or substantial rehabilitation of which has been financed with a mortgage insured under section 213 and which has been completed within two years prior to the filing of the application for assistance payments and the dwelling unit has had no previous occupant other than the

family: Provided, That if the initial cooperative member receiving assistance payments transfers his membership and occupancy rights to another person who satisfies the eligibility requirements prescribed by the Secretary, such new cooperative memb may qualify for assistance payments upon the filing of an application with respect to the dwelling unit involved to be occupied by him: Provided further, That assistance payments may be made with respect to a dwelling unit in an existing cooperative project which meets such standards as the Secretary may prescribe, if the family qualifies as a displaced family as defined in section 221(f), or a family which includes five or more minor persons, or a family occupying low-rent public housing: Provided further, That the amount of the mortgage attributable to the dwelling unit shall involve a principal obligation not in excess of $15,000 ($17,500 in any geographical area where the Secretary authorizes an increase on the basis of a finding that cost levels so require), except that with respect to any family with five or more persons the foregoing limits shall be $17,500 and $20,000, respectively.

"(c) The assistance payments to a mortgagee by the Secretary on behalf of a mortgagor shall be made during such time as the mortgagor shall continue to occupy the property which secures the mortgage: Provided, That assistance payments may be made on behalf of a homeowner who assumes a mortgage insured under subsection (j)(4) with respect to which assistance payments have been made on behalf of the previous owner, if the homeowner is approved by the Secretary as eligible for receiving such assistance. The payment shall be in an amount not exceeding the lesser of—

"(1) the balance of the monthly payment for principal, interest, taxes, insurance, and mortgage insurance premium due under the mortgage remaining unpaid after applying 20 per centum of the mortgagor's income; or

"(2) the difference between the amount of the monthly payment for principal, interest, and mortgage insurance premium which the mortgagor is obligated to pay under the mortgage and the monthly payment for principal and interest which the mortgagor would be obligated to pay if the mortgage were to bear interest at the rate of 1 per centum per annum.

"(d) Assistance payments to a mortgagee by the Secretary on behalf of a family holding membership in a cooperative association operating a housing project shall be made only during such time as the family is an occupant of such project and shall be in amounts computed on the basis of the formula set forth in subsection (c) applying the cooperative member's proportionate share of the obligations under the project mortgage to the items specified in the formula.

"(e) The Secretary may include in the payment to the mortgagee such amount, in addition to the amount computed under subsection (c), (d), or (j)(7), as he deems appropriate to reimburse the mortgagee for its expenses in handling the mortgage.

"(f) Procedures shall be adopted by the Secretary for recertifications of the mortgagor's (or cooperative member's) income at intervals of two years (or at shorter intervals where the Secretary deems it desirable) for the purpose of adjusting the amount of such assistance payments within the limits of the formula described in subsection (c).

"(g) *The Secretary shall prescribe such regulations as he deems necessary to assure that the sales price of, or other consideration paid in connection with, the purchase by a homeowner of the property with respect to which assistance payments are to be made is not increased above the appraised value on which the maximum mortgage which the Secretary will insure is computed.*

"(h)(1) *There are authorized to be appropriated such sums as may be necessary to carry out the provisions of this section, including such sums as may be necessary to make the assistance payments under contracts entered into under this section. The aggregate amount of contracts to make such payments shall not exceed amounts approved in appropriation Acts, and payments pursuant to such contracts shall not exceed $75,000,000 per annum prior to July 1, 1969, which maximum dollar amount shall be increased by $100,000,000 on July 1, 1969, and by $125,000,000 on July 1, 1970.*

"(2) *Not more than 20 per centum of the total amount of assistance payments authorized to be contracted to be made pursuant to appropriation Acts shall be contracted to be made on behalf of families whose incomes at the time of their initial occupancy exceed 135 per centum of the maximum income limits which can be established in the area, pursuant to the limitations prescribed in sections 2(2) and 15(7)(b)(ii) of the United States Housing Act of 1937, for initial occupancy in public housing dwellings, but the incomes of such families at the time of their initial occupancy shall in no case exceed 90 per centum of the limits prescribed by the Secretary for occupants of projects financed with mortgages insured under section 221(d)(3) which bear interest at the below-market interest rate prescribed in the proviso of section 221(d)(5). The limitations prescribed in this paragraph shall be administered by the Secretary so as to accord a preference to those families whose incomes are within the lowest practicable limits for achieving howeownership with assistance under this section. The Secretary shall report annually to the respective Committees on Banking and Currency of the Senate and House of Representatives with respect to the income levels of families on behalf of which assistance payments have been made under this section.*

"(3) *Notwithstanding the provisions of subsections (b)(2) and (i)(3)(A) with respect to the prior construction or rehabilitation of a dwelling, or of the project in which there is a dwelling unit, for which assistance payments may be made, and notwithstanding the provisions of subsection (j)(1) authorizing the purchase of housing which is neither deteriorating nor substandard, not more than—*

"(A) *25 per centum of the total amount of contracts for assistance payments authorized by appropriation Acts to be made prior to July 1, 1969,*

"(B) *15 per centum of the total additional amount of contracts for assistance payments authorized by appropriation Acts to be made prior to July 1, 1970, and*

"(C) *10 per centum of the total additional amount of contracts for assistance payments authorized by appropriations Acts to be made prior to July 1, 1971,*

may be made with respect to existing dwellings, or dwelling units in existing projects.

"(i)(1) *The Secretary is authorized, upon application by the mortgagee, to insure a mortgage executed by a mortgagor who meets the*

eligibility requirements for assistance payments prescribed by the Secretary under subsection (b). Commitments for the insurance of such mortgages may be issued by the Secretary prior to the date of their execution or disbursement thereon, upon such terms and conditions as the Secretary may prescribe.

"(2) To be eligible for insurance under this subsection, a mortgage shall meet the requirements of section 221(d)(2) or 234(c), except as such requirements are modified by this subsection.

"(3) A mortgage to be insured under this subsection shall—

"(A) involve a single-family dwelling which has been approved by the Secretary prior to the beginning of construction or substantial rehabilitation, or a two-family dwelling one of the units of which is to be occupied by the owner if the dwelling is purchased with the assistance of a nonprofit organization and is approved by the Secretary prior to the beginning of substantial rehabilitation, or a one-family unit in a condominium project (together with an undivided interest in the common areas and facilities serving the project) which is released from a multifamily project, the construction or substantial rehabilitation of which has been completed within two years prior to the filing of the application for assistance payments with respect to such family unit and the unit has had no previous occupant other than the mortgagor: Provided, That the mortgage may involve an existing dwelling or a family unit in an existing condominium project which meets such standards as the Secretary may prescribe, if the mortgagor qualifies as a displaced family as defined in section 221(f), or a family which includes five or more minor persons, or a family occupying low-rent public housing: Provided further, That the mortgage may involve an existing dwelling or a family unit in an existing condominium project if assistance payments have been made on behalf of the previous owner of the dwelling or family unit with respect to a mortgage insured under subsection (j)(4): Provided further, That the mortgage may involve a dwelling unit in an existing project covered by a mortgage insured under section 236 or in an existing project receiving the benefits of financial assistance under section 101 of the Housing and Urban Development Act of 1965;

"(B) where it is to cover a one-family unit in a condominium project, have a principal obligation not exceeding $15,000 ($17,500 in any geographical area where the Secretary authorizes an increase on the basis of a finding that cost levels so require), except that with respect to any family with five or more persons the foregoing limits shall be $17,500 and $20,000, respectively; and

"(C) be executed by a mortgagor who shall have paid (i) in the case of any family whose income is not in excess of 135 per centum of the maximum income limits which can be established in the area, pursuant to the limitations prescribed in sections 2(2) and 15(7)(b)(ii) of the United States Housing Act of 1937, for initial occupancy in public housing dwellings, at least $200, or (ii) in the case of any other family, at least 3 per centum (or such larger amount as the Secretary may require) of the Secretary's estimate of the cost of acquisition, which amount (in cash or its equivalent) in either instance may be applied for the payment of

settlement costs and initial payments for taxes, hazard insurance, mortgage insurance premiums, and other prepaid expenses.

"*(j) (1) In addition to mortgages insured under the provisions of subsection (i), the Secretary is authorized, upon application by the mortgagee, to insure a mortgage (including advances under such mortgage during rehabilitation) which is executed by a nonprofit organization or public body or agency to finance the purchase of housing, and the rehabilitation of such housing if it is deteriorating or substandard, for subsequent resale to lower income home purchasers who meet the eligibility requirements for assistance payments prescribed by the Secretary under subsection (b). Commitments for the insurance of such mortgages may be issued by the Secretary prior to the date of their execution or disbursement thereon, upon such terms and conditions as the Secretary may prescribe.*

"*(2) To be eligible for insurance under paragraph (1) of this subsection, a mortgage shall—*

"*(A) be executed by a private nonprofit organization or public body or agency, approved by the Secretary, for the purpose of financing the purchase (with the intention of subsequent resale), and rehabilitation where the housing involved is deteriorating or substandard, of property comprising one or more tracts or parcels, whether or not contiguous, consisting of (i) four or more single-family dwellings of detached, semidetached, or row construction, or (ii) four or more one-family units in a structure or structures for which a plan of family unit ownership approved by the Secretary is established; except that in a case not involving the rehabilitation of deteriorating or substandard housing the property purchased may consist of one or more such dwellings or units;*

"*(B) be in a principal amount not exceeding the appraised value of the property at the time of its purchase under the mortgage plus the estimated cost of any rehabilitation;*

"*(C) bear interest (exclusive of premium charges for insurance and service charge, if any) at not to exceed such per centum per annum (not in excess of 6 per centum), on the amount of the principal obligation outstanding at any time, as the Secretary finds necessary to meet the mortgage market;*

"*(D) provide for complete amortization (subject to paragraph (4)(E)) by periodic payments within such term as the Secretary may prescribe; and*

"*(E) provide for the release of individual single-family dwellings from the lien of the mortgage upon their sale in accordance with paragraph (4).*

"*(3) No mortgage shall be insured under paragraph (1) unless the mortgagor shall have demonstrated to the satisfaction of the Secretary that (A) the property involved is located in a neighborhood which is sufficiently stable and contains sufficient public facilities and amenities to support long-term values, or (B) the purchase or rehabilitation of such property plus the mortgagor's related activities and the activities of other owners of housing in the neighborhood, together with actions to be taken by public authorities, will be of such scope and quality as to give reasonable promise that a stable environment will be created in the neighborhood.*

"(4)(A) *No mortgage shall be insured under paragraph (1) unless the mortgagor enters into an agreement, satisfactory to the Secretary, that it will offer to sell the dwellings involved, after purchase and upon completion of any rehabilitation, to lower income individuals or families meeting the eligibility requirements established by the Secretary under subsection (b).*

"(B) *The Secretary is authorized to insure under this paragraph mortgages executed to finance the sale of individual dwellings to lower income purchasers as provided in subparagraph (A). Any such mortgage shall—*

"(i) *be in a principal amount not in excess of that portion of the unpaid principal balance of the blanket mortgage covering the property which is allocable to the individual dwelling involved;*

"(ii) *bear interest at the same rate as the blanket mortgage; and*

"(iii) *provide for complete amortization by periodic payments within a term equal to the remaining term (determined without regard to subparagraph (E)) of such blanket mortgage.*

"(C) *The price for which any individual dwelling is sold under this paragraph shall be in an amount equal to that portion of the unpaid principal balance of the blanket mortgage covering the property which is allocable to the dwelling plus such additional amount, not less than $200 (which may be applied in whole or in part toward closing costs and may be paid in cash or its equivalent), as the Secretary may determine to be reasonable.*

"(D) *Upon the sale under this paragraph of any individual dwelling, such dwelling shall be released from the lien of the blanket mortgage. Until all of the individual dwellings in the property covered by the blanket mortgage have been sold, the mortgagor shall hold and operate the dwellings remaining unsold at any given time, in such manner and under such terms as the Secretary may prescribe, as though they constituted rental units.*

"(E) *Upon the sale under this paragraph of all the individual dwellings in the property covered by the blanket mortgage and the release of all individual dwellings from the lien of the blanket mortgage, the insurance of the blanket mortgage shall be terminated and no adjusted premium charge shall be charged by the Secretary upon such termination.*

"(5) *Where the Secretary has approved a plan of family unit ownership, the terms 'single-family dwelling', 'single-family dwellings', 'individual dwelling', and 'individual dwellings' shall mean a family unit or family units, together with the undivided interest (or interests) in the common areas and facilities.*

"(6) *For purposes of this subsection, the terms 'single-family dwelling' and 'single-family dwellings' (except for purposes of paragraph (5)) shall include a two-family dwelling which has been approved by the Secretary if one of the units is to be occupied by the owner.*

"(7) *In addition to the assistance payments authorized under subsection (b), the Secretary may make such payments to a mortgagee on behalf of a nonprofit organization or public body or agency which is a mortgagor under the provisions of paragraph (1) in an amount not*

exceeding the difference between the monthly payment for principal, interest, and mortgage insurance premium which the mortgagor is obligated to pay under the mortgage and the monthly payment for principal and interest such mortgagor would be obligated to pay if the mortgage were to bear interest at the rate of 1 per centum per annum.

"(8) A mortgage covering property which is not deteriorating or substandard may be insured under this subsection only if it is situated in an area in which mortgages may be insured under section 221(h).

"(k) The Secretary shall from time to time allocate and transfer to the Secretary of Agriculture, for use (in accordance with the terms and conditions of this section) in rural areas and small towns, a reasonable portion of the total authority to contract to make assistance payments as approved in appropriation Acts under subsection (h)(1).

"(l) In determining the income of any person for the purposes of this section, there shall be deducted an amount equal to $300 for each minor person who is a member of the immediate family of such person and living with such family, and the earnings of any such minor person shall not be included in the income of such person or his family."

(b)(1) Section 221(d)(2)(A) of the National Housing Act is amended—

(A) by striking out "not to exceed (i) $12,500" and inserting in lieu thereof "not to exceed (i) $15,000 (or $17,500, if the mortgagor's family includes five or more persons)"; and

(B) by striking out "not to exceed $15,000" in the second proviso and inserting in lieu thereof "not to exceed $17,500 (or $20,000 if the mortgagor's family includes five or more persons)".

(2) Section 221(d)(2)(B) of such Act is amended—

(A) by inserting ", in cash or its equivalent" before the semicolon after "acquisition cost" in the first proviso; and

(B) by inserting before the semicolon after "appraised value" at the end thereof the following: ": Provided further, That, if the mortgagor is the owner and an occupant of the property, such mortgagor shall to the maximum extent feasible be given the opportunity to contribute the value of his labor as equity in such dwelling".

(c)(1) Section 221(h)(5)(B)(ii) of such Act is amended to read as follows:

> *"(ii) bear interest at the same rate as the principal mortgage or such lower rate, not less than 1 per centum, as the Secretary may prescribe if in his judgment the purchaser's income is sufficiently low to justify the lower rate, and provide for complete amortization within a term equal to the remaining term (determined without regard to subparagraph (E)) of such principal mortgage: Provided, That, if the rate of interest initially prescribed is less than the rate borne by the principal mortgage and the purchaser's income (as determined on the basis of periodic review) subsequently rises, the rate of interest so prescribed shall be increased (but not above the rate borne by such principal mortgage), under regulations of the Secretary, to the extent appropriate to reflect the increase in such income, and the mortgage shall so provide."*

"(2) Section 221(h)(4) of such Act is amended by striking out "$20,000,000" and inserting in lieu thereof "$50,000,000".

(3) Section 221(h) of such Act is further amended by adding at the end thereof the following new paragraph:

"(6) In addition to the mortgages that may be insured under paragraphs (1) and (5), the Secretary is authorized to insure under this subsection at any time within one year after the date of the enactment of this paragraph, upon such terms and conditions as he may prescribe, mortgages which are executed by individuals or families that meet the income criteria prescribed in paragraph (5)(A) and are executed for the purpose of financing the rehabilitation or improvement of single-family dwellings of detached, semidetached, or row construction that are owned and occupied in each instance by a mortgagor who has purchased the dwelling from a nonprofit organization of the type described in this subsection. To be eligible for such insurance, a mortgage shall—

"(A) be in a principal amount not exceeding the lesser of $15,000 or the sum of the estimated cost of repair and rehabilitation and the Secretary's estimate of the value of the property before repair and rehabilitation, except that in no case involving refinancing shall such mortgage exceed such estimated cost of repair and rehabilitation and the amount (as determined by the Secretary) required to refinance existing indebtedness secured by the property;

"(B) bear interest (exclusive of premium charges for insurance and service charge, if any) at 3 per centum per annum or such lower rate, not less than 1 per centum, as the Secretary may prescribe if in his judgment the mortgagor's income is sufficiently low to justify the lower rate: Provided, That, if the rate of interest initially prescribed is less than 3 per centum per annum and the mortgagor's income (as determined on the basis of periodic review) subsequently rises, the rate shall be increased (but not above 3 per centum), under regulations of the Secretary, to the extent appropriate to reflect the increase in such income, and the mortgage shall so provide;

"(C) involve a mortgagor that shall have paid on account of the property at the time of the rehabilitation such amount (which shall not be less than $200 in cash or its equivalent, but which may be applied in whole or in part toward closing costs) as the Secretary may determine to be reasonable and appropriate under the circumstances; and

"(D) contain a provision that, if the low-income mortgagor does not continue to occupy the property, the interest rate shall increase to the highest rate permissible under this section and the regulations of the Secretary effective at the time of the commitment was issued for insurance of the mortgage; except that the increase in interest rate shall not be applicable if the property is sold and the purchaser is (i) a nonprofit organization which has been engaged in purchasing and rehabilitating deteriorating and substandard housing with financing under a mortgage insured under paragraph (1) of this subsection, (ii) a public housing agency having jurisdiction under the United States Housing Act of 1937 over the area where the dwelling is located, or (iii) a low-

income purchaser approved for the purposes of this paragraph by the Secretary."

(4) The purchase of any individual dwelling, sold by a nonprofit organization pursuant to the provisions of section 221(h)(5) of the National Housing Act after the date of enactment of this section, may be financed with a mortgage insured under the provisions of section 235(j)(4) of such Act, but such mortgage shall bear interest at the rate provided in section 235(j)(2)(C) of such Act.

(d) Section 212(a) of such Act is amended by inserting "or section 235(j)(1)" after "subsection (h)(1)" each place it appears.

(e) The Secretary of Housing and Urban Development is authorized to provide, or contract with public or private organizations to provide, such budget, debt management, and related counseling services to mortgagors whose mortgages are insured under section 235(i) or 235(j)(4) of the National Housing Act as he determines to be necessary to assist such mortgagors in meeting the responsibilities of homeownership. There are authorized to be appropriated such sums as may be necessary to carry out the provisions of this subsection.

CREDIT ASSISTANCE

SEC. 102. (a) Title II of the National Housing Act is amended by adding after section 236 (as added by section 201 of this Act) the following new section:

"SPECIAL MORTGAGE INSURANCE ASSISTANCE

"SEC. 237. (a) The purpose of this section is to help provide adequate housing for families of low and moderate income, including those who, for reasons of credit history, irregular income patterns caused by seasonal employement, or other factors, are unable to meet the credit requirements of the Secretary for the purchase of a single-family home financed by a mortgage insured under section 203, 220, 221, 234, or 235(j)(4), but who, through the incentive of homeownership and counseling assistance, appear to be able to achieve homeownership.

"(b) The Secretary is authorized upon application by the mortgagee to insure under this section any mortgage meeting the requirements of this section.

"(c) To be eligible for insurance under this section, a mortgage shall—

"(1) meet the requirements of section 203 (except subsection (m)), 220(d)(3)(A), 221(d)(2), 221(h)(5), 221(i), 234(c), or 235(j)(4), except as such requirements are modified by this section;

"(2) involve a principal obligation (including such initial service charges, and such appraisal, inspection, and other fees, as the Secretary shall approve) in an amount not to exceed $15,000: Provided, That the Secretary may increase the amount to not exceed $17,500 in any geographical area where he finds that cost levels so require: Provided further, That no mortgage meeting the requirements of section 203(h) or 203(i) shall be eligible for insurance under this section if its principal obligation is in excess of the maximum limits prescribed in such section;

"(3) be executed by a mortgagor who the Secretary has determined, after a full and complete study of the case, would not be

an acceptable credit risk for mortgage insurance purposes under section 203, 220, 221, 234, or 235(j)(4), because of his credit standing, debt obligations, total annual income, or income characteristics, but who the Secretary is satisfied would be a reasonably satisfactory credit risk, consistent with the objectives stated in subsection (a), if he were to receive budget, debt management, and related counseling: Provided, That, in determining whether the mortgagor is a reasonably satisfactory credit risk, the Secretary shall review the credit history of the applicant giving special consideration to those delinquent accounts which were ultimately paid by the applicant and to extenuating factors which may have caused credit accounts of the applicant to become delinquent; and the Secretary shall also give special consideration to income characteristics of applicants whose total income over the two years prior to their applications has remained at levels of eligibility (as required under paragraph (4) of this subsection), but who, because of the character of their seasonal employment or for other reasons, have not maintained continuous employment under one employer during that time; and

"(4) require monthly payments which, in combination with local real estate taxes on the property involved, do not exceed 25 per centum of the applicant's income, based on his average monthly income during the year prior to his application or the average monthly income during the three years prior to his application, whichever is higher.

"(d) The Secretary shall give preference in approving mortgage insurance applications under this section to families living in public housing units, especially those families required to leave public housing because their incomes have risen beyond the maximum prescribed income limits, and families eligible for residence in public housing who have been displaced from federally assisted urban renewal areas.

"(e) The Secretary is authorized to provide, or contract with public or private organizations to provide, such budget, debt management, and related counseling services to mortgagors whose mortgages are insured under this section as he determines to be necessary to meet the objectives of this section. The Secretary may also provide such counseling to otherwise eligible families who lack sufficient funds to supply a downpayment to help them to save an amount necessary for that purpose.

"(f) The aggregate principal balance of all mortgages insured under this section and outstanding at one time shall not exceed $200,000,000.

"(g) There are authorized to be appropriated such sums as may be necessary to carry out the provisions of subsection (e) of this section."

(b) Section 226 of the National Housing Act is amended by inserting "235(i), 237," after "234,".

RELAXATION OF MORTGAGE INSURANCE REQUIREMENTS IN CERTAIN URBAN NEIGHBORHOODS

SEC. 103. (a) Section 223 of the National Housing Act is amended by adding at the end thereof a new subsection as follows:

"(e) Notwithstanding any of the provisions of this title except section 212, and without regard to limitations upon eligibility contained in any section of this title, the Secretary is authorized, upon applica-

tion by the mortgagee, to insure under any section of this title a mortgage executed in connection with the repair, rehabilitation, construction, or purchase of property located in an older, declining urban area in which the conditions are such that one or more of the eligibility requirements applicable to the section of this title under which insurance is sought could not be met, if the Secretary finds that (1) the area is reasonably viable, giving consideration to the need for providing adequate housing for families of low and moderate income in such area, and (2) the property is an acceptable risk in view of such consideration. The insurance of a mortgage pursuant to this subsection shall be the obligation of the Special Risk Insurance Fund."

(b) Section 203(l) of such Act is repealed.

SPECIAL RISK INSURANCE FUND

SEC. 104. (a) Title II of the National Housing Act is amended by adding after section 237 (as added by section 102 of this Act) the following new section:

"PAYMENT OF INSURANCE—SPECIAL RISK INSURANCE FUND

"SEC. 238. (a)(1) Any mortgagee under a mortgage insured under section 235(i), 235(j)(4), or 237 shall be entitled to receive the benefits of the insurance as provided in section 204(a) with respect to mortgages insured under section 203. The provisions of subsections (b), (c), (d), (g), (j), and (k) of section 204 shall be applicable to mortgages insured under section 235(i), 235(j)(4), or 237, except that all references therein to the 'Mutual Mortgage Insurance Fund' shall be construed to refer to the 'Special Risk Insurance Fund', and all references therein to section 203 shall be construed to refer to section 235(i), 235(j)(4), or 237, as may be appropriate.

"(2) Any mortgagee under a mortgage insured under section 235(j)(1) or 236 shall be entitled to receive the benefits of insurance as provided in section 207(g) with respect to mortgages insured under section 207. The provisions of subsections (d), (e), (h), (i), (j), (k), (l), and (n) of section 207 shall be applicable to mortgages insured under section 235(j)(1) or 236, except that all references therein to the 'General Insurance Fund' shall be construed to refer to the 'Special Risk Insurance Fund' and the premium charge provided in section 207(d) shall be payable only in cash or debentures of the Special Risk Insurance Fund.

"(3) In lieu of the amount of insurance benefits computed pursuant to paragraph (1) or (2) of this subsection the Secretary, in his discretion and in accordance with such regulations as he may prescribe, may (with respect to any mortgage loan acquired by him) compute and pay insurance benefits to the mortgagee in a total amount equal to the unpaid principal balance of the loan plus any accrued interest and any advances approved by the Secretary and made previously by the mortgagee under the provisions of the mortgage.

"(b) There is hereby created a Special Risk Insurance Fund (hereinafter referred to as the 'fund') which shall be used by the Secretary as a revolving fund for carrying out the mortgage insurance obligations of sections 223(e), 233(a)(2), 235, 236, and 237, and the Secretary is hereby authorized to advance to the fund the sum of $5,000,000

from the General Insurance Fund established pursuant to the provisions of section 519. Such advance shall be repayable at such times and at such rates of interest as the Secretary deems appropriate. Premium charges, adjusted premium charges, inspection and other fees, service charges, and any other income received by the Secretary under sections 223(e), 233(a)(2), 235, 236, and 237, together with all earnings on the assets of the fund, shall be credited to the fund. All payments made pursuant to claims of mortgagees with respect to mortgages insured under sections 233(a)(2), 235, 236, and 237 or pursuant to section 223(e), cash adjustments, the principal of and interest paid on debentures which are the obligation of the fund, expenses incurred in connection with or as a consequence of the acquisition and disposal of property acquired under such sections, and all administrative expenses in connection with the mortgage insurance operations under such sections shall be paid out of the fund. There is authorized to be appropriated such sums as may be needed from time to time to cover losses sustained by the fund in carrying out the mortgage insurance obligations of sections 223(e), 233(a)(2), 235, 236, and 237. Moneys in the fund not needed for current operations of the fund shall be deposited with the Treasurer of the United States to the credit of the fund or invested in bonds or other obligations of, or in bonds or other obligations guaranteed by, the United States. The Secretary, with the approval of the Secretary of the Treasury, may purchase in the open market debentures which are the obligation of the fund. Such purchases shall be made at a price which will provide an investment yield of not less than the yield obtained from other investments authorized by this section. Debentures so purchased shall be canceled and not reissued."

(b) Section 224 of such Act is amended by striking out "or section 233" and inserting in lieu thereof "section 233, or section 238".

(c) Section 519(e) of such Act is amended by inserting after "section 213(k)" the following: ", or the provisions of sections 223(e), 233(a)(2), 235, 236 and 237".

CONDOMINIUM AND COOPERATIVE OWNERSHIP FOR LOW AND MODERATE INCOME FAMILIES

SEC. 105. (a) Section 221 of the National Housing Act is amended by adding at the end thereof two new subsections as follows:

"(i)(1) The Secretary is authorized, with respect to any project involving a mortgage insured under subsection (d)(3) which bears interest at the below-market interest rate prescribed in the proviso of subsection (d)(5), to permit a conversion of the ownership of such project to a plan of family unit ownership. Under such plan, each family unit shall be eligible for individual ownership and provision shall be included for the sale of the family units, together with an undivided interest in the common areas and facilities which serve the project, to low or moderate income purchasers. The Secretary shall obtain such agreements as he determines to be necessary to assure continued maintenance of the common areas and facilities. Upon such sale, the family unit and the undivided interest in the common areas shall be released from the lien of the project mortgage.

"(2)(A) The Secretary is authorized, upon application by the mortgagee, to insure under this subsection mortgages financing the pur-

chase of individual family units under the plan prescribed in paragraph (1). Commitments may be issued by the Secretary for the insurance of such mortgages prior to the date of their execution or disbursement thereon, upon such terms and conditions as the Secretary may prescribe. To be eligible for such insurance, the mortgage shall—

"(i) be executed by a mortgagor having an income within the limits prescribed by the Secretary for occupants of projects financed with a mortgage insured under subsection (d)(3) which bears interest at the below-market rate prescribed in the proviso of subsection (d)(5);

"(ii) involve a principal obligation (including such initial service charges, and such appraisal, inspection, and other fees, as the Secretary shall approve) in an amount not to exceed the Secretary's estimate of the appraised value of the family unit, including the mortgagor's interest in the common areas and facilities, as of the date the mortgage is accepted for insurance;

"(iii) bear interest at a rate determined by the Secretary (which may vary in accordance with the regulations of the Secretary promulgated pursuant to the last sentence of paragraph (4) of this subsection) but not less than the below-market rate in effect under the proviso of subsection (d)(5) at the date of the commitment for insurance; and

"(iv) provide for complete amortization by periodic payments within such term as the Secretary may prescribe, but not to exceed the lesser of forty years from the beginning of amortization of the mortgage or three-quarters of the Secretary's estimate of the remaining economic life of the building improvements.

"(B) The price for which the individual family unit is sold to the low or moderate income purchaser shall not exceed the appraised value of the property, as determined under subparagraph (A)(ii), except that the purchaser shall be required to pay on account of the property at the time of purchase at least such amount, in cash or its equivalent (which shall be not less than 3 per centum of such price, but which may be applied in whole or in part toward closing costs), as the Secretary may determine to be reasonable and appropriate.

"(3) Upon the sale of all of the family units covered by the project mortgage, and the release of all of the family units (including the undivided interest allocable to each unit in the common areas and facilities) from the lien of the project mortgage, the insurance of the project mortgage shall be terminated and no adjusted premium charge shall be collected by the Secretary upon such termination.

"(4) Any mortgage covering an individual family unit insured under this subsection shall contain a provision that, if the original mortgagor does not continue to occupy the property, the interest rate shall increase to the highest rate permissible under this section and the regulations of the Secretary effective at the time the commitment was issued for the insurance of the project mortgage; except that the requirement for an increase in interest rate shall not be applicable if the property is sold and the purchaser is (i) a nonprofit purchaser approved by the Secretary, or (ii) a low or moderate income purchaser who has an income within the limits prescribed by the Secretary for occupants of projects financed with a mortgage insured under subsection (d)(3) which bears interest at the below-market rate pre-

scribed in the proviso of subsection (d)(5). The mortgage shall also contain a provision that, if the Secretary determines that the annual income of the original mortgagor (or a purchaser described in clause (ii) of the preceding sentence) has increased to an amount enabling payment of a greater rate of interest, the interest rate of the individual mortgage may be increased up to the highest rate permissible under the regulations of the Secretary for mortgages insured under this section effective at the time the commitment was issued for the insurance of the mortgage.

"(5) For the purpose of this subsection—

"(i) the term 'mortgage', when used in relation to a mortgage insured under paragraph (2) of this subsection, includes a first mortgage given to secure the unpaid purchase price of a fee interest in, or a long-term lease-hold interest in, a one-family unit in a multifamily project and an undivided interest in the common areas and facilities which serve the project; and

"(ii) the term 'common areas and facilities' includes the land and such commercial, community, and other facilities as are are approved by the Secretary.

"(j)(1) The Secretary is authorized, with respect to any rental project involving a mortgage insured under subsection (d)(3) which bears interest at the below-market interest rate prescribed in the proviso of subsection (d)(5), to permit a conversion of the ownership of such project to a cooperative approved by the Secretary. Membership in such cooperative shall be made available only to those families having an income within the limits prescribed by the Secretary for occupants of projects financed with a mortgage insured under subsection (d)(3) which bears interest at such below-market rate: Provided, That families residing in the rental project at the time of its conversion to a cooperative who do not meet such income limits may be permitted to become members in the cooperative under such special terms and conditions as the Secretary may prescribe.

"(2) The Secretary is authorized, upon application by the mortgagee, to insure under this subsection cooperative mortgages financing the purchase of projects meeting the requirements of paragraph (1). Commitments may be issued by the Secretary for the insurance of such mortgages prior to the date of their execution or disbursement thereon, upon such terms and conditions as the Secretary may prescribe. To be eligible for such insurance, the mortgage shall—

"(i) involve a principal obligation (including such initial service charges and appraisal, inspection, and other fees as the Secretary shall approve) in an amount not exceeding the appraised value of the property for continued use as a cooperative, which value shall be based upon a mortgage amount on which the debt service can be met from the income of the property when operated on a nonprofit basis, after the payment of all operating expenses, taxes, and required reserves;

"(ii) bear interest at the below-market rate prescribed in the proviso of subsection (d)(5); and

"(iii) provide for complete amortization within such term as the Secretary may prescribe."

(b) Section 221(g)(1) of such Act is amended by striking out "or paragraph (5) of subsection (h) of this section" and inserting in lieu

thereof "paragraph (5) of subsection (h) of this section, or paragraph (2) of subsection (i) of this section".

(c) Section 221(g)(2) of such Act is amended by striking out "or paragraph (1) of subsection (h)" and inserting in lieu thereof "paragraph (1) of subsection (h) of this section, or paragraph (2) of subsection (j),".

(d) Section 221(f) of such Act is amended by inserting after "subsection (h)" in the third sentence of the second paragraph the following: ", (i), or (j)".

ASSISTANCE TO NONPROFIT SPONSORS OF LOW AND MODERATE INCOME HOUSING

SEC. 106. (a) The Secretary of Housing and Urban Development is authorized to provide, or contract with public or private organizations to provide, information, advice, and technical assistance with respect to the construction, rehabilitation, and operation by nonprofit organizations of housing for low or moderate income families. Assistance by the Secretary may include—

(1) the assembly, correlation, publication, and dissemination of information with respect to the construction, rehabilitation, and operation of low and moderate income housing, and

(2) the provision of advice and technical assistance with respect to the construction, rehabilitation, and operation of low and moderate income housing.

(b)(1) The Secretary is authorized to make loans to nonprofit organizations for the necessary expenses, prior to construction, in planning, and obtaining financing for, the rehabilitation or construction of housing for low or moderate income families under any federally assisted program. Such loans shall be made without interest and shall not exceed 80 per centum of the reasonable costs expected to be incurred in planning, and in obtaining financing for, such housing prior to the availability of financing, including, but not limited to, preliminary surveys and analyses of market needs, preliminary site engineering and architectural fees, site acquisition, application and mortgage commitment fees, and construction loan fees and discounts. The Secretary shall require repayment of loans made under this subsection, under such terms and conditions as he may require, upon completion of the project or sooner, and may cancel any part or all of a loan if he determines that it cannot be recovered from the proceeds of any permanent loan made to finance the rehabilitation or construction of the housing.

(2) The Secretary shall determine prior to the making of any loan that the nonprofit organization meets such requirements with respect to financial responsibility and stability as he may prescribe.

(3) There are authorized to be appropriated for the purposes of this subsection not to exceed $7,500,000 for the fiscal year ending June 30, 1969, and not to exceed $10,000,000 for the fiscal year ending June 30, 1970. Any amounts so appropriated shall remain available until expended, and any amounts authorized for any fiscal year under this paragraph but not appropriated may be appropriated for any succeeding fiscal year.

(4) All funds appropriated for the purposes of this subsection shall be deposited in a fund which shall be known as the Low and Moderate Income Sponsor Fund, and which shall be available without fiscal

year limitation and be administered by the Secretary as a revolving fund for carrying out the purposes of this subsection. Sums received in repayment of loans made under this subsection shall be deposited in such fund.

NATIONAL HOMEOWNERSHIP FOUNDATION

SEC. 107. (a)(1) There is hereby created a body corporate to be known as the "National Homeownership Foundation" (hereinafter referred to as the "Foundation") to carry out a continuing program of encouraging private and public organizations at the national, community, and neighborhood levels to provide increased homeownership and housing opportunities in urban and rural areas for lower income families through such means as—

(A) encouraging the investment in, and sponsoring of, housing for lower income families;

(B) encouraging the establishment of programs of assistance and counseling to lower income families to enable them better to achieve and afford adequate housing;

(C) providing a broad range of technical assistance through publications and advisory services to public and private organizations which are carrying out, or are desirous of carrying out, programs to expand homeownership and housing opportunities for lower income families; and

(D) providing grants and loans to public and private organizations carrying out homeownership and housing opportunity programs for lower income families to help cover some of the expenses of such programs.

(2) The Foundation shall be deemed to be a corporation without members organized and established under the provisions of the District of Columbia Nonprofit Corporation Act, with all the rights, powers, and responsibilities thereof except as limited by this section and any amendments thereto. This section shall constitute the articles of incorporation and charter of the Foundation, which shall not be an agency or instrumentality of the United States Government. The Congress expressly reserves the exclusive right to alter or amend this charter. The Foundation shall have succession until dissolved by Act of Congress. The Foundation shall maintain its principal office in the District of Columbia.

(3) No part of the net earnings of the Foundation shall inure to the benefit of any private person, and no substantial part of its activities shall be devoted to attempting to influence legislation. The Foundation shall not participate or intervene in any political campaign on behalf of any candidate for public office. The Foundation shall be operated and administered at all times as a charitable and educational foundation.

(4) No employee or officer of the Foundation shall receive compensation in excess of that received by or hereafter prescribed by law for heads of executive departments.

(5) The Foundation shall make maximum use of existing public and private agencies and programs, and in carrying out its functions the Foundation is authorized to contract with individuals, private corporations, organizations, and associations, and with agencies of the Federal, State, and local governments.

(6) The Foundation is authorized to receive donations and grants from individuals and from public and private organizations, foundations, and agencies.

(7) The Foundation may use only donated funds, or funds derived from payment of interest on loans made by it, for the principal and interest payments on any borrowings.

(b)(1) The Foundation shall have a Board of Directors consisting of eighteen members, fifteen of whom shall be appointed by the President of the United States, with the advice and consent of the Senate. The other three members shall be, ex officio, the Secretary of Housing and Urban Development, the Secretary of Agriculture, and the Director of the Office of Economic Opportunity. The President shall appoint one of the fifteen appointed members to serve as Chairman of the Board during his term of office as a member.

(2) Within thirty days after the date of enactment of this Act, the President shall appoint the fifteen appointed members of the Board. Not more than five of such members shall, at the time of their appointment, be serving full time as officers or employees of the Federal Government, or as officers or employees of any State or local government. Each appointed member of the Board shall hold office for a term of three years, except that (A) any member appointed to fill a vacancy prior to the expiration of the term for which his predecessor was appointed shall be appointed for the remainder of such term, and (B) the terms of the members first taking office shall expire, as designated by the President at the time of appointment, five at the end of the first year, five at the end of the second year, and five at the end of the third year after the date of appointment. Members of the Board, however appointed, shall be eligible for reappointment, but at no time shall there be more than five members of the Board who at the time of their appointment or reappointment were full-time officers or employees of the Federal Government or of any State or local government.

(3) Appointed members of the Board who are not employees of the Federal Government, while attending meetings or conferences of the Board or otherwise serving on business of the Board, shall be entitled to receive compensation at rates fixed by the President, but not exceeding $100 per day, including travel time, and while so serving away from their homes or regular places of business they may be allowed travel expenses, including per diem in lieu of subsistence, as authorized by section 5703 of title 5, United States Code, for persons in the Government service employed intermittently.

(4) The Board shall appoint an Executive Director of the Foundation. The Executive Director shall be the chief executive officer of the Foundation and shall serve at the pleasure of the Board, and all other executive officers and employees of the Board shall be responsible to him. The Board shall also cause to be appointed a secretary, a treasurer, and such other officers as may be necessary to conduct properly the business of the Foundation, and shall provide for filling vacancies in such offices.

(5) The Board shall adopt bylaws for the Foundation which shall be made available for public inspection upon request.

(c)(1) The Foundation shall assist public and private organizations, at their request, in initiating, developing, and conducting pro-

grams to expand homeownership and housing opportunities for lower income families. To provide such assistance and to carry out the purposes of this section, the Foundation is authorized to—

(A) carry out a continuing program of encouraging private and public organizations at the national, community, and neighborhood levels in the establishment of such programs;

(B) assist in the formation of organizations the purpose of which is the development and carrying out of such programs, including the establishment of local development funds for financing housing for lower income families through the pooling of moneys from private sources;

(C) identify and arrange for the technical and managerial assistance and personnel needed for the successful operation of such programs by public and private organizations;

(D) assist public and private organizations in obtaining the mortgage financing, insurance, and other requirements or aids necessary for conducting programs of housing construction, rehabilitation, or improvement for lower income families;

(E) arrange for, or provide on a limited basis, training for persons in the skills needed in administering programs of homeownership and housing opportunity for lower income families;

(F) encourage research and innovation, and collect and make available such information as may be desirable to further the purposes of this section, including but not limited to such activities as the sponsoring of seminars, conferences, and meetings and the establishment of a continuing information program to acquaint lower income families with the means they can use to improve the quality of their housing and the homeownership and housing opportunities available to them;

(G) assist private and public organizations in establishing, in connection with their homeownership and housing opportunity programs for lower income families, counseling and similar activities designed to advise lower income families of the means available to better themselves economically through job training and manpower development programs; and

(H) perform other similar services in order to further the purposes of this section.

(2) The Foundation may, if it deems it appropriate, charge a reasonable fee for any assistance or service provided under this subsection.

(d) (1) In order to assist public and private organizations which are carrying out homeownership and housing opportunity programs for lower income families to fill unmet needs, initiate exceptional programs, and experiment with new approaches and programs, the Foundation is authorized, subject to such terms and conditions as it may prescribe, to make grants and loans to such organizations to help defray the following expenses:

(A) organizational and administrative expenses incurred in commencing the operation of a program, or in expanding an existing program, to the extent that the activities are related to providing homeownership and housing opportunities for lower income families;

(B) necessary preconstruction costs incurred for architectural assistance, land options, application fees, and similar items; and

(C) the cost of carrying out programs providing counseling or similar services to lower income families for whom housing is being provided, in order to enable those families better to achieve and afford adequate housing, in such matters as home management, budget management, and home maintenance.

(2) In order to be eligible for a grant or loan under this subsection, the organization seeking such assistance shall demonstrate to the satisfaction of the Foundation that the funds requested are not otherwise available from Federal sources: Provided, That a grant or loan under this subsection may be provided to help cover that portion of the cost of an eligible activity not covered by Federal funds.

(3) The Foundation shall encourage cooperation between public and private organizations carrying out programs of homeownership and housing opportunity for lower income families and the neighborhoods and communities affected by such programs. To help assure such cooperation and in order to coordinate, to the maximum extent feasible, any construction or rehabilitation activities with the development goals of the neighborhood or community affected, no application for a loan or grant under this subsection shall be considered unless such application has been submitted to the governing body of the community affected, or to such other entity of local government as may be designated by the governing body, for such recommendations as the local governing body or its designee may desire to make. Any recommendations so made shall be given careful consideration by the Foundation before taking final action on any such application. If, upon the expiration of thirty days after any such application has been submitted to such governing body or its designee, such body or designee fails to provide such recommendations, the application may be considered without the benefit of such recommendations.

(e) The Foundation shall coordinate its activities and consult with the Department of Housing and Urban Development and other Federal departments and agencies engaged in providing homeownership and housing opportunities for lower income families.

(f) (1) Not later than one hundred and twenty days after the close of each fiscal year, the Foundation shall prepare and submit to the President and to the Congress a full report of its activities during such year. Such report shall include an account of the Foundation's experiences with the efforts of private and public organizations to expand homeownership and housing opportunities for lower income families, together with such recommendations as it deems appropriate.

(2) Whenever in its judgment the general unavailability of mortgage funds is sufficiently serious to deter the Foundation from carrying out its objective of expanding homeownership and housing opportunities for lower income families, the Foundation shall, in its annual report or in a separate report to the President and the Congress, state its findings and make such recommendations for alternate means of financing housing for such families as it deems appropriate.

(g)(1) The financial transactions of the Foundation shall be audited by the General Accounting Office in accordance with the principles and procedures applicable to commercial corporate transactions and under such rules and regulations as may be prescribed by the Comptroller General of the United States. The representatives of the General Accounting Office shall have access to all books, accounts,

financial records, reports, files, and all other papers, things, or property belonging to or in use by the Foundation and necessary to facilitate the audit, and they shall be afforded full facilities for verifying transactions with the balances or securities held by depositories, fiscal agents, and custodians. The audit shall cover the fiscal year corresponding to that of the United States Government.

(2) A report of each such audit shall be made by the Comptroller General to the Congress not later than January 15 following the close of the fiscal year for which the audit was made. The report shall set forth the scope of the audit and shall include a statement of assets and liabilities, capital, and surplus or deficit; a statement of sources and application of funds; and such comments and information as may be deemed necessary to keep the Congress informed of the operations and financial condition of the Foundation, together with such recommendations with respect thereto as the Comptroller General may deem advisable. The report shall also show specifically any program, expenditure, or other financial transaction or undertaking, observed in the course of the audit, which, in the opinion of the Comptroller General, has been carried on or made without authority of law. A copy of each report shall be furnished to the President and to the Foundation at the time submitted to the Congress.

(h) Funds of the Foundation shall be deposited, to the extent practicable, in accounts with financial institutions which are actively engaged in making loans or are otherwise carrying on activities in furtherance of homeownership and housing opportunities for lower income families.

(i) There is authorized to be appropriated to the Foundation not to exceed $10,000,000 to carry out the purposes of this section. Appropriations made hereunder shall remain available until expended.

NEW TECHNOLOGIES IN THE DEVELOPMENT OF HOUSING FOR LOWER INCOME FAMILIES

SEC. 108. (a) In order to encourage the use of new housing technologies in providing decent, safe, and sanitary housing for lower income families; to encourage large-scale experimentation in the use of such technologies; to provide a basis for comparison of such technologies with existing housing technologies in providing such housing; and to evaluate the effect of local housing codes and zoning regulations on the large-scale use of new housing technologies in the provision of such housing, the Secretary of Housing and Urban Development (hereinafter referred to as the "Secretary") shall institute a program under which qualified organizations, public and private, will submit plans for the development of housing for lower income families, using new and advanced technologies, on Federal land which has been made available by the Secretary for the purposes of this section, or on other land where (1) local building regulations permit the construction of experimental housing, or (2) State or local law permits variances from building regulations in the construction of experimental housing for the purpose of testing and developing new building technologies.

(b) The Secretary shall approve not more than five plans utilizing new housing technologies which are submitted to him pursuant to the program referred to in subsection (a) and which he determines are

most promising in furtherance of the purposes of this section. In making such determination the Secretary shall consider—

(1) the potential of the technology employed for producing housing for lower income families on a large scale at a moderate cost;

(2) the extent to which the plan envisages environmental quality;

(3) the possibility of mass production of the technology; and

(4) the financial soundness of the organization submitting the plan, and the ability of such organization, alone or in combination with other organizations, to produce at least one thousand dwelling units a year utilizing the technology proposed.

(c) In approving projects for mortgage insurance under section 233 (a) (2) of the National Housing Act (as added by subsection (f) of this section), the Secretary shall seek to achieve the construction of at least one thousand dwelling units a year over a five-year period for each of the various types of technologies proposed in approved plans under subsection (b). The Secretary shall evaluate each project with respect to which assistance is extended pursuant to this section with a view to determining (1) the detailed cost breakdown per dwelling unit, (2) the environmental quality achieved in each such unit, and (3) the effect which local housing codes and zoning regulations have, or would have if applicable, on the cost per dwelling unit.

(d) Notwithstanding the provisions of the Federal Property and Administrative Services Act of 1949, any land which is excess property within the meaning of such Act and which is determined by the Secretary to be suitable in furtherance of the purposes of this section may be transferred to the Secretary upon his request.

(e) The Secretary shall, at the earliest practicable date, report his findings with respect to projects assisted pursuant to this section (including evalutions of each such project in accordance with subsection (c)), together with such recommendations for additional legislation as he determines to be necessary or desirable to expand the available supply of decent, safe, and sanitary housing for lower income families through the use of technologies the efficacy of which has been demonstrated under this section.

(f) (1) Section 233(a) of the National Housing Act is amended—

(A) by inserting "(1)" after "(a)",

(B) by redesignating clauses (1), (2), and (3) as clauses (A), (B), and (C), respectively, and

(C) by adding at the end thereof the following new paragraph:

"(2) The Secretary is further authorized to insure and to make commitments to insure, under this section, mortgages (including advances on mortgages during construction) secured by properties in projects to be carried out in accordance with plans approved by the Secretary under section 108 of the Housing and Urban Development Act of 1968.".

(2) Section 233(c) of such Act is amended by inserting at the end thereof the following new sentence: "Any authority which the Secretary may exercise in connection with a mortgage, or property covered by a mortgage, insured under any other section of this title (including payments to reduce rentals for, or to facilitate homeownership by, lower income families) may be exercised in connection with a mortgage, or property covered by a mortgage, meeting the requirements of

such other section (except as specified in subsection (b)), which is insured under this section to the same extent and in the same manner as if the mortgage insured under this section was insured under such other section."

INSURANCE PROTECTION FOR HOMEOWNERS

SEC. 109. (a) The Secretary of Housing and Urban Development is authorized, in cooperation with the private insurance industry, to develop a plan for the establishment at the earliest practicable date of an insurance program to help homeowners in meeting mortgage payments in times of personal economic adversity. Such insurance program shall be designed to protect mortgagors against foreclosure due to curtailment of income resulting from factors beyond their effective control, including such factors as death, disability, illness, and unemployment. Such insurance program shall also be designed to be actuarially sound through the use of premiums, fees, extended or increased payment schedules, or other similar methods, in conjunction with such Federal participation as may be necessary.

(b) Within six months following the date of enactment of this Act, the Secretary shall report to the Congress on his actions under this section, and shall recommend to the Congress such legislation as he deems appropriate to authorize him to enter into agreements with any insurance company, or any corporation or joint enterprise formed to provide home mortgage insurance protection, for the purpose of reinsuring insurance reserve funds, subsidizing premium payments on behalf of lower income mortgagors, or otherwise making possible the insurance protection of homeowners in accordance with subsection (a). In preparing such recommendations the Secretary shall consult with other agencies or instrumentalities of the United States which insure or guarantee home mortgages in order that such legislation as may be recommended affords equal benefits to mortgagors participating in their programs.

NATIONAL ADVISORY COMMISSION ON LOW INCOME HOUSING

SEC. 110. (a) (1) There is hereby established the National Advisory Commission on Low Income Housing (hereinafter referred to as the "Commission"). The Commission shall be composed of twenty-one members as follows:

(A) Four members appointed by the President of the Senate, two from the majority party and two from the minority party;

(B) Four members appointed by the Speaker of the House of Representatives, two from the majority party and two from the minority party; and

(C) Thirteen members appointed by the President, not more than three of whom shall be from the Federal Government, and of whom four shall be representative of persons eligible for low income housing. Appointment shall be made by the President, whenever practicable, after consultation with the ranking majority and minority members of the Housing Subcommittees of the Committees on Banking and Currency of the Senate and House of Representatives.

(2) Any vacancy in the Commission shall not affect its powers, but shall be filled in the same manner in which the original appointment was made.

(3) Eleven members of the Commission shall constitute a quorum, but a lesser number may conduct hearings.

(4) The members of the Commission shall elect a Chairman and a Vice Chairman from the membership of the Commission.

(b) (1) The Commission shall undertake a comprehensive study and investigation, to further the policy set forth in section 2 of this Act, of practicable and effective ways of bringing decent, safe, and sanitary housing within the reach of low income families. Such study shall evaluate existing housing programs designed to assist such families, and explore new ways by which public and private resources may be more effectively utilized in meeting the housing needs of such families. In the carrying out of such study, the Commission may, where necessary or desirable, utilize the services of private research organizations, and shall, insofar as is practicable, seek to coordinate its investigation with studies undertaken, or being undertaken by the Banking and Currency Committees of the Senate and House of Representatives

(2) The Commission shall be organized and begin its functions at the earliest possible date, and shall submit to the President and to the Congress an interim report with respect to its findings and recommendations not later than July 1, 1969. A final report of its findings and recommendations shall be submitted to the President and the Congress not later than July 1, 1970.

(c) (1) The Commission or, on the authorization of the Commission, any subcommittee or members thereof, may, for the purpose of carrying out the provisions of this section, hold such hearings, take such testimony, and sit and act at such times and places as the Commission deems advisable. Any member authorized by the Commission may administer oaths or affirmations to witnesses appearing before the Commission or any subcommittee or members thereof.

(2) Each department, agency, and instrumentality of the executive branch of the Government is authorized and directed to furnish to the Commission, upon request made by the Chairman or Vice Chairman, such information as the Commission deems necessary to carry out its functions under this section.

(3) Subject to such rules and regulations as may be adopted by the Commission, the Chairman, without regard to the provisions of title 5, United States Code, governing appointments in the competitive service, and without regard to the provisions of chapter 51 and subchapter III of chapter 53 of such title relating to classification and General Schedule pay rates, shall have the power—

(1) to appoint and fix the compensation of such staff personnel as he deems necessary, and

(2) to procure temporary and intermittent services to the same extent as is authorized by section 3109 of title 5, United States Code, but at rates not to exceed $50 a day for individuals.

(d) (1) Any member of the Commission who is appointed from the executive or legislative branch of the Government shall serve without compensation in addition to that received in his regular employment, but shall be entitled to reimbursement for travel, subsistence, and other necessary expenses incurred by him in the performance of duties vested in the Commission.

(2) *Members of the Commission, other than those referred to in paragraph (1), shall receive compensation at the rate of $75 per day for each day they are engaged in the performance of their duties as members of the Commission and shall be entitled to reinbursement for travel, subsistence, and other necessary expenses incurred by them in the performance of their duties as members of the Commission.*

(e) *There are authorized to be appropriated, out of any money in the Treasury not otherwise appropriated, such sums as may be necessary to carry out this section.*

(f) *The Commission shall cease to exist thirty days after the submission of its final report.*

TITLE II—RENTAL HOUSING FOR LOWER INCOME FAMILIES

Part A—Private Housing

RENTAL AND COOPERATIVE HOUSING FOR LOWER INCOME FAMILIES

Sec. 201. (a) Title II of the National Housing Act is amended by adding after section 235 (as added by section 101 of this Act) the following new section:

"RENTAL AND COOPERATIVE HOUSING FOR LOWER INCOME FAMILIES

"Sec. 236. (a) For the purpose of reducing rentals for lower income families, the Secretary is authorized to make, and to contract to make, periodic interest reduction payments on behalf of the owner of a rental housing project designed for occupancy by lower income families, which shall be accomplished through payments to mortgagees holding mortgages meeting the special requirements specified in this section.

"(b) Interest reduction payments with respect to a project shall only be made during such time as the project is operated as a rental housing project and is subject to a mortgage which meets the requirements of, and is insured under, subsection (j) of this section: Provided, That interest reduction payments may be made with respect to a rental or cooperative housing project owned by a private nonprofit corporation or other private nonprofit entity, a limited dividend corporation or other limited dividend entity, or a cooperative housing corporation, which is financed under a State or local program providing assistance through loans, loan insurance, or tax abatements, and which prior to completion of construction or rehabilitation is approved for receiving the benefits of this section.

"(c) The interest reduction payments to a mortgagee by the Secretary on behalf of a project owner shall be in an amount not exceeding the difference between the monthly payment for principal, interest, and mortgage insurance premium which the project owner as a mortgagor is obligated to pay under the mortgage and the monthly payment for principal and interest such project owner would be obligated to pay if the mortgage were to bear interest at the rate of one per centum per annum.

"(d) The Secretary may include in the payment to the mortgagee such amount, in addition to the amount computed under subsection (c), as he deems appropriate to reimburse the mortgagee for its expenses in handling the mortgage.

"(e) *As a condition for receiving the benefits of interest reduction payments, the project owner shall operate the project in accordance with such requirements with respect to tenant eligibility and rents as the Secretary may prescribe. Procedures shall be adopted by the Secretary for review of tenant incomes at intervals of two years (or at shorter intervals where the Secretary deems it desirable).*

"(f) *For each dwelling unit there shall be established with the approval of the Secretary (1) a basic rental charge determined on the basis of operating the project with payments of principal and interest due under a mortgage bearing interest at the rate of 1 per centum per annum; and (2) a fair market rental charge determined on the basis of operating the project with payments of principal, interest, and mortgage insurance premium which the mortgagor is obligated to pay under the mortgage covering the project. The rental for each dwelling unit shall be at the basic rental charge or such greater amount, not exceeding the fair market rental charge, as represents 25 per centum of the tenant's income.*

"(g) *The project owner shall, as required by the Secretary, accumulate, safeguard, and periodically pay to the Secretary all rental charges collected in excess of the basic rental charges. Such excess charges shall be deposited by the Secretary in a fund which may be used by him as a revolving fund for the purpose of making interest reduction payments with respect to any rental housing project receiving assistance under this section, subject to limits approved in appropriation Acts pursuant to subsection (i). Moneys in such fund not needed for current operations may be invested in bonds or other obligations of the United States or in bonds or other obligations guaranteed as to principal and interest by the United States.*

"(h) *In addition to establishing the requirements specified in subsection (e), the Secretary is authorized to make such rules and regulations, to enter into such agreements, and to adopt such procedures as he may deem necessary or desirable to carry out the provisions of this section.*

"(i)(1) *There are authorized to be appropriated such sums as may be necessary to carry out the provisions of this section, including such sums as may be necessary to make interest reduction payments under contracts entered into under this section. The aggregate amount of contracts to make such payments shall not exceed amounts approved in appropriation Acts, and payments pursuant to such contracts shall not exceed $75,000,000 per annum prior to July 1, 1969, which maximum dollar amount shall be increased by $100,000,000 on July 1, 1969, and by $125,000,000 on July 1, 1970.*

"(2) *Not more than 20 per centum of the total amount of interest reduction payments authorized to be contracted to be made pursuant to appropriation Acts shall be contracted to be made with respect to families, occupying rental housing projects assisted under this section, whose incomes at the time of the initial renting of the projects exceed 135 per centum of the maximum income limits which can be established in the area, pursuant to the limitations prescribed in sections 2(2) and 15(7)(b)(ii) of the United States Housing Act of 1937, for initial occupancy in public housing dwellings, but the income of such families at the time of the initial renting of the projects shall in no case exceed 90 per centum of the limits prescribed by the Secretary for*

occupants of projects financed with mortgages insured under section 221(d)(3) which bear interest at the below-market interest rate prescribed in the proviso of section 221(d)(5). The limitations prescribed in this paragraph shall be administered by the Secretary so as to accord a preference to those families whose incomes are within the lowest practicable limits for obtaining rental accommodations in projects assisted under this section. The Secretary shall report annually to the respective Committees on Banking and Currency of the Senate and House of Representatives with respect to the income levels of families living in projects assisted under this section.

"(j)(1) The Secretary is authorized, upon application by the mortgagee, to insure a mortgage (including advances on such mortgage during construction) which meets the requirements of this subsection. Commitments for the insurance of such mortgages may be issued by the Secretary prior to the date of their execution or disbursement thereon, upon such terms and conditions as he may prescribe.

"(2) As used in this subsection—

"(A) the terms 'family' and 'families' shall have the same meaning as in section 221;

"(B) the term 'elderly or handicapped families' shall have the same meaning as in section 202 of the Housing Act of 1959; and

"(C) the terms 'mortgage', 'mortagee', and 'mortgagor' shall have the same meaning as in section 201.

"(3) To be eligible for insurance under this subsection, a mortgage shall meet the requirements specified in subsections (d)(1) and (d)(3) of section 221, except as such requirements are modified by this subsection. In the case of a project financed with a mortgage insured under this subsection which involves a mortgagor other than a cooperative or a private nonprofit corporation or association and which is sold to a cooperative or a nonprofit corporation or association, the Secretary is further authorized to insure under this subsection a mortgage given by such purchaser in an amount not exceeding the appraised value of the property at the time of purchase, which value shall be based upon a mortgage amount on which the debt service can be met from the income of the property when operated on a nonprofit basis, after payment of all operating expenses, taxes, and required reserves.

"(4) A mortgage to be insured under this subsection shall—

"(A) be executed by a private mortgagor eligible under subsection (d)(3) or (e) of section 221;

"(B) bear interest (exclusive of premium charges for insurance and service charges, if any) at not to exceed such per centum per annum (not in excess of 6 per centum), on the amount of the principal obligation outstanding at any time, as the Secretary finds necessary to meet the mortgage market; and

"(C) provide for complete amortization by periodic payments within such term as the Secretary may prescribe.

"(5) The property or project shall—

"(A) comply with such standards and conditions as the Secretary may prescribe to establish the acceptability of the property for mortgage insurance and may include such nondwelling facilities as the Secretary deems adequate and appropriate to serve the occupants and the surrounding neighborhood: Provided, That the project shall be predominantly residential and any nondwelling

facility included in the mortgage shall be found by the Secretary to contribute to the economic feasibility of the project, and the Secretary shall give due consideration to the possible effect of the project on other business enterprises in the community: Provided further, That, in the case of a project designed primarily for occupancy by elderly or handicaped families, the project may include related facilities for use by elderly or handicapped families, including cafeterias or dining halls, community rooms, workshops, infirmaries, or other inpatient or outpatient health facilities, and other essential service facilities;

"(B) include five or more dwelling units; and

"(C) be designed primarily for use as a rental project to be occupied by lower income families or by elderly or handicapped families: Provided, That lower income persons who are less than sixty-two years of age shall be eligible for occupancy in such a project, but not more than 10 per centum of the dwelling units in any such project shall be available for occupancy by such persons.

"(6) With the approval of the Secretary, the mortgagor may sell the individual dwelling units to lower income or elderly or handicapped purchasers. The Secretary may consent to the release of the mortgagor from his liability under the mortgage and the credit instrument secured thereby, or consent to the release of parts of the mortgaged property from the lien of the mortgage, upon such terms and conditions as he may prescribe, and the mortgage may provide for such release.

"(k) As used in this section the term 'tenant' includes a member of a cooperative; the term 'rental housing project' includes a cooperative housing project; and the terms 'rental' and 'rental charge' mean, with respect to members of a cooperative, the charges under the occupancy agreements between such members and the cooperative.

"(l) The Secretary shall from time to time allocate and transfer to the Secretary of Agriculture, for use (in accordance with the terms and conditions of this section) in rural areas and small towns, a reasonable portion of the total authority to contract to make periodic interest reduction payments as approved in appropriation Acts under subsection (i).

"(m) In determining the income of any person for the purposes of this section, there shall be deducted an amount equal to $300 for each minor person who is a member of the immediate family of such person and living with such family, and the earnings of any such minor person shall not be included in the income of such person or his family."

(b)(1) Section 212(a) of the National Housing Act is amended by striking out "or 232" in the first sentence of the second paragraph and inserting in lieu thereof ", 232, or 236".

(2) Section 227(a) of such Act is amended by striking out "or (viii) under section 234(d)" and inserting in lieu thereof "(viii) under section 234(d), or (ix) under section 236".

(3) Section 227(c) of such Act is amended by striking out "or section 233(b)(2)" each place it appears and inserting in lieu thereof "section 233, or section 236".

(c) The Secretary of Housing and Urban Development is authorized, upon such terms and conditions as he may prescribe, to transfer

to section 236(j) of the National Housing Act the insurance of a mortgage which has not been finally endorsed for insurance under section 221(d)(3) of such Act and which has been approved for the below-market interest rate prescribed in the proviso of section 221(d)(5) of such Act.

(d) The Secretary of Housing and Urban Development is authorized, upon such terms and conditions as he may prescribe, to insure under section 236(j) of the National Housing Act a mortgage meeting the requirements of such section which is given to refinance a mortgage loan made under section 202 of the Housing Act of 1959: Provided, That the application for such insurance is filed with the Secretary on or before the date of project completion, or within such reasonable time thereafter as the Secretary may permit.

(e)(1) Section 101(d) of the Housing and Urban Development Act of 1965 is amended by adding at the end thereof the following: "In determining the income of any tenant for the purposes of this section, there shall be deducted an amount equal to $300 for each minor person who is a member of the immediate family of such tenant and living with such tenant, and the earnings of any such minor person shall not be included in the income of such tenant."

(2) Section 101(g) of such Act is amended by striking out "or section 231(c)(3)" and inserting in lieu thereof ", section 231(c)(3), or section 236".

(3) Section 101(j)(1) of such Act is amended—

(A) by striking out "and" at the end of subparagraph (B);

(B) by striking out the period at the end of subparagraph (C) and inserting in lieu thereof "; and"; and

(C) by inserting after subparagraph (C) a new subparagraph as follows:

"(D) a private nonprofit corporation or other private nonprofit legal entity, a limited dividend corporation or other limited divided legal entity, or a cooperative housing corporation, which is assisted under section 236 of the National Housing Act and which has been approved for receiving the benefits of this section: Provided, That payments shall not be made with respect to more than 20 per centum of the dwelling units in any property so financed."

(f) Section 207 of the Appalachian Regional Development Act of 1965 is amended—

(1) by inserting in the heading "AND SECTION 236" immediately after "SECTION 221";

(2) by inserting "or section 236" after "section 221" each place it appears;

(3) by inserting "or 'section 236'" after "'section 221'" in subsection (a); and

(4) by inserting ", Government National Mortgage Association," immediately after "Federal Housing Administration" in subsection (c).

(g) The first sentence of section 305(i) of the National Housing Act is amended—

(1) by striking out "or (3)" and inserting in lieu thereof "(3)"; and

(2) by inserting after "221(e)" the following: ", or (4) a mortgage insured under section 236".

RENT SUPPLEMENT PROGRAM

SEC. 202. (a) Section 101(a) of the Housing and Urban Development Act of 1965 is amended by striking out everything after the word "exceed" the second time the word appears in the third sentence and inserting in lieu thereof the following: "$150,000,000 per annum prior to July 1, 1969, which maximum dollars amount shall be increased by $40,000,000, on July 1, 1969, and by $100,000,000 on July 1, 1970."

(b) Section 101(b) of such Act is amended by inserting after the first sentence the following: "Such term also includes a private nonprofit corporation or other private nonprofit legal entity, a limited dividend corporation or other limited dividend legal entity, or a cooperative housing corporation, which is the owner of a rental or cooperative housing project financed under a State or local program providing assistance through loans, loan insurance, or tax abatement and which prior to completion of construction or rehabilitation is approved for receiving the benefits of this section."

PART B—LOW-RENT PUBLIC HOUSING

INCREASED LOW-RENT PUBLIC HOUSING AUTHORIZATION

SEC. 203. (a) Section 10(e) of the United States Housing Act of 1937 is amended by striking out "$366,250,000 per annum, which limit shall be increased by $47,000,000 on the date of enactment of the Housing and Urban Development Act of 1965, and by further amounts of $47,000,000 on July 1 in each of the years 1966, 1967, and 1968, respectively," in the first sentence and inserting in lieu thereof the following: "$554,250,000 per annum, which limit shall be increased by $100,000,000 on the date of enactment of the Housing and Urban Development Act of 1968 and by further amounts of $150,000,000 on July 1 in each of the years 1969 and 1970,".

(b) Section 20 of such Act is amended—

(1) by striking out "not to exceed $1,500,000,000" in the first sentence and inserting in lieu thereof "which shall not, unless authorized by the President, exceed $1,500,000,000"; and

(2) by inserting after the first sentence the following: "For the purpose of determining obligations incurred to make loans pursuant to this Act against any limitation otherwise applicable with respect to such loans, the Secretary shall estimate the maximum amount to be loaned at any one time pursuant to loan agreements then outstanding with public housing agencies."

UPGRADING MANAGEMENT AND SERVICES IN PUBLIC HOUSING PROJECTS

SEC. 204. Section 15 of the United States Housing Act of 1937 is amended by adding at the end thereof the following new paragraph:

"(10) The Secretary is authorized to enter into contracts to make grants to public housing agencies to assist, where necessary, in financing tenant services for families living in low-rent housing projects. In making such contracts and grants, the Secretary shall give preference to programs providing for the maximum feasible participation of the tenants in the development and operation of such tenant services. For purposes of this paragraph the term 'tenant services' includes the following services and activities for families living in low-rent housing

projects: counseling on household management, housekeeping, budgeting, money management, child care, and similar matters; advice as to resources for job training and placement, education, welfare, health, and other community services; services which are directly related to meeting tenant needs and providing a wholesome living environment; and referral to appropriate agencies when necessary for the provision of such services. To the maximum extent available and appropriate, existing public and private agencies in the community shall be used for the provision of such services. There are authorized to be appropriated for the purposes of this paragraph not to exceed $15,000,000 for the fiscal year ending June 30, 1969, and not to exceed $30,000,000 for the fiscal year ending June 30, 1970. Any amounts so appropriated shall remain available until expended, and any amounts authorized for any fiscal year under this paragraph but not appropriated may be appropriated for any succeeding fiscal year commencing prior to July 1, 1970."

PURCHASE OF UNITS BY TENANTS

SEC. 205. Section 15(9) of the United States Housing Act of 1937 is amended by striking out "which is suitable by reason of its detached or semidetached construction" and inserting in lieu thereof ", if the property to be acquired is sufficiently separable from other property retained by the public housing agency to make it suitable".

PUBLIC HOUSING IN INDIAN AREAS

SEC. 206. (a) Section 1 of the United States Housing Act of 1937 is amended by striking out "urban and rural nonfarm" in the first sentence and inserting in lieu thereof "urban, rural nonfarm, and Indian".

(b) Section 10(a) of such Act is amended by inserting "or Indian" after "nonfarm" in the fourth proviso.

LIMITATION ON HIGH-RISE STRUCTURES IN LOW-RENT PUBLIC HOUSING PROJECTS

SEC. 207. Section 15 of the United States Housing Act of 1937 is amended by adding at the end thereof (after the new paragraph added by section 204 of this Act) the following new paragraph:

"(11) Except in the case of housing predominantly for the elderly, upon enactment of this paragraph, the Secretary shall not approve high-rise elevator projects for families with children unless he makes a determination that there is no practical alternative."

SALE TO TENANTS OF LOW-RENT HOUSING IN PRIVATE ACCOMMODATIONS

SEC. 208. (a) Section 23(f) of the United States Housing Act of 1937 is amended by inserting "(1)" after "shall not apply to", and by inserting before the period at the end thereof the following: ", or (2) housing purchased (or in the process of purchase) by the public housing agency for resale to tenants as provided in subsection (g)".

(b) Section 23 of such Act is further amended by adding at the end thereof the following new subsection:

"(g) To the extent authorized in contracts entered into by the Authority with a public housing agency, such agency may purchase any structure containing one or more dwelling units leased to provide low-

rent housing in private accommodations under this section for the purpose of reselling the structure to the tenant or tenants of the structure or to a group of such tenants occupying units aggregating in value at least 80 per centum of the structure's total value. Any such resale shall be made subject to such terms and conditions (including provision for deferment of the required downpayment and for elimination of or adjustments in the required interest payments during a temporary period) as may be necessary to enable the tenants involved to make the purchase without undue financial hardship."

ADDITIONAL SUBSIDY FOR LARGE FAMILIES AND FAMILIES OF UNUSUALLY LOW INCOME

SEC. 209. (a) Section 2(2) of the United States Housing Act of 1937 is amended by inserting at the end thereof the following new sentences: "The term 'large families' means families which include four or more minors. The term 'families of unusually low income' means families with incomes below the income level established by the public housing agency, as approved by the Authority, who could not be housed without the additional subsidy authorized under section 10 (a)."

(b) The first proviso in section 10(a) of such Act is amended—

(1) by inserting after "an elderly family," the following: "or a large family, or a family of unusually low income,";

(2) by striking out "to lease the dwelling unit to an elderly or displaced family at a rental it could afford and"; and

(3) by striking out ", and, in the case of displaced families, if and to the extent that the average or estimated average rental for units so occupied by such families was less than the rental which the Authority determines, on the basis of the average or estimated average project rentals, would have been established in leasing the units to families which were neither elderly nor similarly displaced".

PROHIBITION AGAINST CERTAIN LIMITATIONS ON TYPES OR CATEGORIES OF LOW-RENT HOUSING IN PRIVATE ACCOMMODATIONS

SEC. 210. The first sentence of section 23(d) of the United States Housing Act of 1937 is amended by inserting before the period at the end thereof the following: "(and no limitation not specifically provided for in this section shall be imposed by regulations of the Authority on the types or categories of structures or dwelling units, qualifying under subsection (a) (3) and approved under subsection (c), which may be so used in any community)".

TITLE III—FEDERAL HOUSING ADMINISTRATION INSURANCE OPERATIONS

MORTGAGE INSURANCE PREMIUMS FOR SERVICEMEN AND THEIR WIDOWS

SEC. 301. Section 222 of the National Housing Act is amended—

(1) by striking out "Secretary of the Treasury" each place it appears and inserting in lieu thereof "Secretary of Transportation"; and

(2) by adding at the end thereof two new subsections as follows:

"(f) *The Secretary is authorized to transfer to this section the insurance on any mortgage covering a single-family dwelling or a one-family unit in a condominium project insured under this Act, if the mortgage indebtedness thereof has been assumed by a serviceman who at the time of assumption is the owner of the property and either occupies the property or certifies, that his failure to do so is the result of his military assignment, or, in the case of the United States Coast Guard, other assignment.*

"(g) *Where a serviceman dies while on active duty in the Armed Forces of the United States or in the United States Coast Guard, leaving a surviving widow as owner of the property, the period of ownership by the serviceman (within the meaning of subsection (c) of this section) shall extend for two years beyond the date of the serviceman's death or until the date the widow disposes of the property, whichever date occurs first. The Secretary of Defense or the Secretary of Transportation, as the case may be, shall notify such widow promptly following the serviceman's death of the additional costs to be borne by the mortgagor following termination of the two-year period.*"

MODIFICATIONS IN TERMS OF INSURED MORTGAGES COVERING MULTIFAMILY PROJECTS

SEC. 302. Title II of the National Housing Act is amended by adding after section 238 (as added by section 104 of this Act) the following new section:

"*MODIFICATIONS IN TERMS OF INSURED MORTGAGES COVERING MULTIFAMILY PROJECTS*

"*SEC. 239. (a) The Secretary shall not consent to any request for an extension of the time for curing a default under any mortgage covering multifamily housing, as defined in the regulations of the Secretary, or for a modification of the terms of such mortgage, except in conformity with regulations prescribed by the Secretary in accordance with the provisions of this section. Such regulations shall require, as a condition to the granting of any such request, that, during the period of such extension or modification, any part of the rents or other funds derived by the mortgagor from the property covered by the mortgage which is not required to meet actual and necessary expenses arising in connection with the operation of such property, including amortization charges under the mortgage, be held in trust by the mortgagor and distributed only with the consent of the Secretary; except that the Secretary may provide for the granting of consent to any request for an extension of the time for curing a default under any mortgage covering multifamily housing, or for a modification of the terms of such mortgage, without regard to the foregoing requirement, in any case or class of cases in which an exemption from such requirement does not (as determined by the Secretary) jeopardize the interests of the United States.*

"(b) *Whoever, as an owner of a property which is security for a mortgage described in subsection (a), or as a stockholder of a coporation owning such property, or as a beneficial owner under any business organization or trust owning such property, or as an officer, director, or agent of any such owner, (1) willfully uses or authorizes the use of any part of the rents or other funds derived from property covered*

by such mortgage in violation of a regulation prescribed by the Secretary under subsection (a), or (2) if such mortgage is determined, as provided in subsection (a), to be exempt from the requirement of any such regulation or is not otherwise covered by such regulation, willfully and knowingly uses or authorizes the use, while such mortgage is in default, of any part of the rents or other funds derived from the property covered by such mortgage for any purpose other than to meet actual and necessary expenses arising in connection with such property (including amortization charges under the mortgage), shall be fined not more than $5,000 or imprisoned not more than three years, or both."

CONDOMINIUMS

SEC. 303. (a) Section 234(c) of the National Housing Act is amended by striking out "rental housing, and (3)" in the first sentence and inserting in lieu thereof the following: "rental housing: Provided, That a one-family unit in a multifamily project involving eleven or less units shall be eligible for insurance without having been covered by a project mortgage, and (3)".

(b) Section 234(c) of such Act is further amended by striking out "(iii) 75 per centum" in the third sentence and inserting in lieu thereof "(iii) 80 per centum".

(c) Section 234(f) of such Act is amended by striking "five" and inserting in lieu thereof "four".

INSURANCE OF LOANS FOR PURCHASE OF FEE SIMPLE TITLE FROM LESSORS

SEC. 304. (a) Title II of the National Housing Act is amended by adding after section 239 (as added by section 302 of this Act) the following new section:

"PURCHASE OF FEE SIMPLE TITLE FROM LESSORS

"SEC. 240. (a) The Secretary is authorized, upon such terms and conditions as he may prescribe, to make commitments to insure and to insure loans made by financial institutions for the purpose of financing purchasers by homeowners of the fee simple title to property on which their homes are located.

"(b) As used in this section—

"(1) the term 'financial institution' means a lender approved by the Secretary as eligible for insurance under section 2 or a mortgagee approved under section 203(b)(1); and

"(2) the term 'homeowner' means a lessee under a long-term ground lease.

"(c) To be eligible for insurance under this section, a loan shall—

"(1) relate to property on which there is located a dwelling designed principally for a one-, two-, three-, or four-family residence;

"(2) not exceed the cost of purchasing the fee simple title, or $10,000 per family unit, whichever is the lesser;

"(3) be limited to an amount which when added to any outstanding indebtedness related to the property (as determined by the Secretary) creates a total outstanding indebtedness which does not exceed the applicable mortgage limit prescribed in section 203(b);

"(4) bear interest at not to exceed such per centum per annum (not in excess of 6 per centum), on the amount of the principal obligation outstanding at any time, as the Secretary finds necessary to meet market conditions, and such other charges (including service charges and appraisal, inspection, and other fees) as may be approved by the Secretary;

"(5) have a maturity satisfactory to the Secretary, but not to exceed twenty years from the beginning of amortization of the loan or three-quarters of the remaining economic life of the home, whichever is the lesser; and

"(6) comply with such other terms, conditions, and restrictions as the Secretary may prescribe.

"(d) The provisions of paragraphs (3), (5), (6), (7), (8), and (10) of section 220(h) shall be applicable to loans insured under this section and, as applied to loans insured under this section, references in those paragraphs to 'home improvement loans' and 'this subsection' shall be construed to refer to loans under this section."

(b) Section 5(c) of the Home Owners' Loan Act of 1933 (12 U.S.C. 1464(c)) is amended by adding immediately after the next to the last paragraph the following new paragraph:

"Notwithstanding any other provision of this subsection, an association may invest in loans or obligations, or interests therein, as to which the association has the benefit of insurance under section 240 of the National Housing Act, or of a commitment or agreement therefor, and such investments shall not be included in any percentage of assets or other percentage referred to in this subsection."

EXTENSION OF SECTION 221(d)(2) SALES HOUSING PROGRAM FOR TWO-, THREE-, AND FOUR-FAMILY RESIDENCES TO ALL LOW AND MODERATE INCOME FAMILIES

SEC. 305. Section 221(d)(2) of the National Housing Act is amended by striking out "a displaced family" at the end of the first proviso and inserting in lieu thereof "the mortgagor".

REMOVAL OF DIVIDEND RESTRICTION FOR NONDWELLING FACILITIES IN SECTION 221 PROJECTS

SEC. 306. Section 221(f) of the National Housing Act is amended by striking out in the first sentence all that follows the word "mortgage" in the proviso and inserting in lieu thereof ": Provided further, That, in the case of a mortgage which bears interest at the below-market interest rate prescribed in the proviso of subsection (d)(5), the provisions of section 220(d)(3)(B)(iv) shall only apply if the mortgagor waives the right to receive dividends on its equity investment in the portion thereof devoted to commercial facilities."

SUPPLEMENTAL LOAN PROGRAM FOR PROJECTS FINANCED WITH FEDERAL HOUSING ADMINISTRATION INSURED MORTGAGES

SEC. 307. Title II of the National Housing Act is amended by adding after section 240 (as added by section 304 of this Act) the following new section:

"SUPPLEMENTAL LOANS FOR MULTIFAMILY PROJECTS

"SEC. 241. (a) With respect to a multifamily project or group practice facility covered by a mortgage insured under any section or title of this Act, the Secretary is authorized, upon such terms and conditions as he may prescribe, to make commitments to insure, and to insure, supplemental loans (including advances during construction or improvement) made by financial institutions approved by the Secretary. As used in this section, 'supplemental loan' means a loan, advance of credit, or purchase of an obligation representing a loan or advance of credit made for the purpose of financing improvements or additions to such project or facility: Provided, That a loan involving a nursing home covered by a mortgage insured under section 232 or a loan involving a group practice facility covered by a mortgage insured under title XI may also be made for the purpose of financing equipment to be used in the operation of such nursing home or facility.

"(b) To be eligible for insurance under this section, a supplemental loan shall—

"(1) be limited to 90 per centum of the amount which the Secretary estimates will be the value of such improvements, additions, and equipment, except that such amount when added to the outstanding balance of the mortgage covering the project or facility, shall not exceed the maximum mortgage amount insurable under the section or title pursuant to which the mortgage covering such project or facility is insured;

"(2) have a maturity satisfactory to the Secretary but not to exceed the remaining term of the mortgage;

"(3) bear interest (exclusive of premium charges for insurance and service charges, if any) at not to exceed such per centum per annum (not in excess of 6 per centum), on the amount of the principal obligation outstanding at any time, as the Secretary finds necessary to meet market conditions;

"(4) be secured in such manner as the Secretary may require;

"(5) be governed by the labor standards provisions of section 212 that are applicable to the section or title pursuant to which the mortgage covering the project or facility is insured; and

"(6) contain such other terms, conditions, and restrictions as the Secretary may prescribe.

"(c) The provisions of subsections (d), (e), (g), (h), (i), (j), (k), (l), and (n) of section 207 shall be applicable to loans insured under this section, except that (1) all references to the term 'mortgage' shall be construed to refer to the term 'loan' as used in this section, (2) loans involving projects covered by a mortgage insured under section 213 that is the obligation of the Cooperative Management Housing Insurance Fund shall be insured under and shall be the obligation of such fund, and (3) loans involving projects covered by a mortgage insured under section 236 shall be insured under and shall be the obligation of the Special Risk Insurance Fund."

HOME IMPROVEMENT LOANS—INCREASE IN MAXIMUM MATURITY, FINANCE CHARGE, AND LOAN AMOUNT

SEC. 308. Section 2(b) of the National Housing Act is amended—

(1) by striking out "$3,500" and inserting in lieu thereof "$5,000";

(2) by striking out "five years" and inserting in lieu thereof "seven years";

(3) by striking out "$5 discount" and inserting in lieu thereof "$5.50 discount"; and

(4) by striking out "$4 discount" and inserting in lieu thereof "$4.50 discount".

EXPERIMENTAL HOUSING PROGRAM

SEC. 309. Section 233 of the National Housing Act is amended—

(1) by striking out "of this title" immediately before the semicolon in subsection (b) and inserting in lieu thereof "or titles of this Act"; and

(2) by striking out "of this title" in subsection (e) and inserting in lieu thereof "or title of this Act".

TERM OF FEDERAL HOUSING ADMINISTRATION MORTGAGES FOR LAND DEVELOPMENT

SEC. 310. Section 1002(d)(1) of the National Housing Act is amended—

(1) by striking out "seven" and inserting in lieu thereof "ten"; and

(2) by striking out the semicolon and inserting in lieu thereof the following: ": Provided, That the Secretary may agree to a reasonable extension of the term of a mortgage, the maturity of which is limited by this paragraph to not more than ten years, if he determines that unusual or unforeseen circumstances make such extension necessary to avoid undue hardship to the mortgagor;".

REHABILITATED MULTIFAMILY PROJECTS IN URBAN RENEWAL AREAS

SEC. 311. (a) Section 220(d)(3)(B)(ii) of the National Housing Act is amended by inserting immediately before the semicolon at the end thereof ": Provided further, That the mortgage may involve the financing of the purchase of property which has been rehabilitated by a local public agency with Federal assistance pursuant to section 110(c)(8) of the Housing Act of 1949, and, in such case the foregoing limitations upon the amount of the mortgage shall be based upon the appraised value of the property as of the date the mortgage is accepted for insurance".

(b) Section 221(d)(3)(iii) of such Act is amended by inserting immediately before the colon at the end of the firt proviso ": Provided further, That the mortgage may involve the financing of the purchase of property which has been rehabilitated by a local public agency with Federal assistance pursuant to section 110(c)(8) of the Housing Act of 1949, and, in such case, the amount of the mortgage shall not exceed the appraised value of the property as of the date the mortgage is accepted for insurance".

MISCELLANEOUS HOUSING INSURANCE

SEC. 312. (a) Section 223 of the National Housing Act is amended—

(1) by striking out so much of subsection (a) as precedes paragraph (1) and inserting in lieu thereof the following:

"(a) Notwithstanding any of the provisions of this Act and without regard to limitations upon eligibility contained in any section or title of this Act, the Secretary is authorized, upon application by the mortgagee, to insure or make commitments to insure under any section or title of this Act any mortgage—";

(2) by striking out "applicable to loans insured under section 203, 207, 213, 220, 221, 222, 231, 232, or 233, as the case may be" in the first and second provisos of subsection (a) (7) and inserting in lieu thereof "prescribed under the applicable section or title of this Act";

(3) by striking out "this title" each time it appears in subsection (c) and inserting in lieu thereof "this Act";

(4) by striking out "title I, title II, title VI, title VII, title VIII, or title IX" in subsection (c) and inserting in lieu thereof "any section or title of this Act"; and

(5) by striking out "(except that in any case the payment of insurance shall be in debentures)" at the end of subsection (c).

(b) Section 223(d) of such Act is amended by striking out all that follows "as he may prescribe," and inserting in lieu thereof the following: "insure under the same section as the original mortgage a loan by the mortgagee in an amount not exceeding the excess of the foregoing expenses over the project income. Such loan shall (1) bear interest (exclusive of premium charges for insurance) at not to exceed the per centum per annum currently permitted for mortgages insured under the section under which it is to be insured, (2) be secured in such manner as the Secretary shall require, and (3) be limited to a term not exceeding the unexpired term of the original mortgage. The Secretary is authorized to collect a premium charge for insurance of loans pursuant to this subsection in an amount computed at the same premium rate as is applicable to the original mortgage. This premium shall be payable in cash or in debentures of the insurance fund under which the loan is insured at par plus accrued interest. In the event of a failure of the borrower to make any payment due under such loan or under the original mortgage, both the loan and original mortgage shall be considered in default, and if such default continues for a period of thirty days, the lender shall be entitled to insurance benefits, computed in the same manner as for the original mortgage, except that in determining the interest rate under section 224 for the debentures representing the portion of the claim applicable to the loan, the date of the commitment to insure the loan and the insurance date of the loan shall be taken into consideration rather than the commitment or insurance date for the original mortgage."

SUPPLEMENTARY LOANS FOR COOPERATIVE HOUSING PURCHASED FROM THE FEDERAL GOVERNMENT

SEC. 313. Section 213(j) of the National Housing Act is amended—

(1) by inserting after the first sentence of paragraph (1) the following sentence: "The Secretary is further authorized to make commitments to insure and to insure supplementary cooperative loans (including advances during construction or improvement) with respect to any property purchased from the Federal Government by a nonprofit corporation or trust of the character de-

scribed in paragraph (1) of subsection (a), if the property is covered by an uninsured mortgage representing a part of the purchase price."; and

(2) by adding before the semicolon at the end of paragraph (2)(B) the following: "; except that, in the case of repairs or improvements to a property covered by an uninsured mortgage dated more than twenty years prior to the date of the commitment to insure, of such magnitude that the Secretary deems them to be a major rehabilitation or modernization of such property, the loan may have a maturity date up to ten years in excess of the remaining term of the uninsured mortgage".

EQUIPMENT IN NURSING HOMES

SEC. 314. Section 232 of the National Housing Act is amended—

(1) by striking out subsection (b)(2) and inserting in lieu thereof the following:

"(2) the term 'mortgage' means a first mortgage on real estate in fee simple, or on the interest of either the lessor or lessee thereof (A) under a lease for not less than ninety-nine years which is renewable, or (B) under a lease having a period of not less than fifty years to run from the date the mortgage was executed. The term 'first mortgage' means such classes of first liens as are commonly given to secure advances (including but not limited to advances during construction) on, or the unpaid purchase price of, real estate under the laws of the State in which the real estate is located, together with the credit instrument or instruments, if any, secured thereby, and any mortgage may be in the form of one or more trust mortgages or mortgage indentures or deeds of trust, securing notes, bonds, or other credit instruments, and, by the same instrument or by a separate instrument, may create a security interest in initial equipment, whether or not attached to the realty. The term 'mortgagor' shall have the meaning set forth in section 207(a) of this Act.";

(2) by striking out so much of subsection (d) as precedes paragraph (1) and inserting in lieu thereof the following:

"(d) In order to carry out the purposes of this section, the Secretary is authorized to insure any mortgage which covers a new or rehabilitated nursing home, including equipment to be used in its operation, subject to the following conditions:"; and

(3) by striking out "when the proposed improvements are completed" before the period at the end of subsection (d)(2) and inserting in lieu thereof the following: ", including equipment to be used in the operation of the nursing home, when the proposed improvements are completed and the equipment is installed".

FLEXIBLE INTEREST RATES FOR CERTAIN FHA INSURANCE PROGRAMS

SEC. 315. Section 3(a) of the Act entitled "An Act to amend chapter 37 of title 38 of the United States Code with respect to the veterans' home loan program, to amend the National Housing Act with respect to interest rates on insured mortgages, and for other purposes", approved May 7, 1968, is amended by inserting "235(j)(2)(C), 236(j)(4)(B), 240(c)(4), 241(b)(3), 242(d)(3)(B)," after "234(f),".

FHA SECTION 221(h) PROGRAM

SEC. 316. (a) Section 221(h)(2)(A) of the National Housing Act is amended to read as follows:

"(A) be executed by a private nonprofit corporation or association, approved by the Secretary, for financing the purchase and rehabilitation (with the intention of subsequent resale) of property comprising one or more tracts or parcels, whether or not contiguous, upon which there is located deteriorating or substandard housing consisting of (i) four or more single-family dwellings of detached, semidetached, or row construction, or (ii) four or more one-family units in a structure or structures for which a plan of family unit ownership approved by the Secretary is established;".

(b) Section 221(h) of such Act is amended by adding at the end thereof (after the new paragraph added by section 101(c)(3) of this Act) two new paragraphs as follows:

"(7) Where the Secretary has approved a plan of family unit ownership, the terms 'single-family dwelling', 'single-family dwellings', 'individual dwelling', and 'individual dwellings' shall mean a family unit or family units, together with the undivided interest (or interests) in the common areas and facilities.

"(8) For purposes of this subsection, the terms 'single-family dwelling' and 'single-family dwellings' (except for purposes of paragraph (7)) shall include a two-family dwelling which has been approved by the Secretary if one of the units is to be occupied by the owner."

HOUSING IN OUTLYING AREAS

SEC. 317. Section 203(i) of the National Housing Act is amended by striking out "not in excess of $12,500" and inserting in lieu thereof "not in excess of $13,500".

SEASONAL HOMES

SEC. 318. Section 203 of the National Housing Act is amended by adding at the end thereof the following new subsection:

"(m) The Secretary is authorized to insure under this section any mortgage meeting the requirements of subsection (b) of this section, except as modified by this subsection. To be eligible, the mortgage shall involve a principal obligation not in excess of $15,000 and not in excess of 75 per centum of the appraised value of the property, as of the date the mortgage is accepted for insurance. The mortgage shall cover a dwelling for single-family occupancy which is approved for mortgage insurance prior to the beginning of construction. The dwelling need not be designed for year-round occupancy, but it shall (1) meet standards prescribed by the Secretary, and (2) be located in an area where the Secretary finds it is not practicable to obtain conformity with many of the requirements essential to the insuring of mortgages on housing in built-up urban areas. The development of the property with respect to which the mortgage is executed shall be consistent with the conservation of water and other natural resources of the area, and such property shall be an acceptable risk, giving consideration to the economic potential of the area in which the dwelling is located and the contribution that the housing will make toward

improving the area. The Secretary may suspend the issuance of commitments under this subsection for the insurance of mortgages secured by properties situated in any area, whenever he determines that (i) there is a serious and unusual shortage of mortgage funds for residential construction in such area, (ii) such insurance would affect materially and adversely the availability of mortgage funds for residential construction in such area, and (iii) such suspension would not have an adverse impact upon the balanced economic development of the area."

TITLE IV—GUARANTEES FOR FINANCING NEW COMMUNITY LAND DEVELOPMENT

CITATION

SEC. 401. This title may be referred to as the "New Communities Act of 1968".

PURPOSE

SEC. 402. It is the purpose of this title, by facilitating the enlistment of private capital in new community development, to encourage the development of new communities that—

(1) contribute to the general betterment of living conditions through the improved quality of community development made possible by a consistent design for the provision of homes, commercial and industrial facilities, public and communty facilites, and open spaces;

(2) make substantal contributions to the sound and economic growth of the areas in which they are located;

(3) provide needed additions to the general housing supply;

(4) provide opportunities for innovation in housing and community development technology and in land use planning;

(5) enlarge housing and employment opportunities by increasing the range of housing choice and providing new investment opportunities for industry and commerce;

(6) encourage the maintenance and growth of a diversified local homebuilding industry; and

(7) include, to the greatest extent feasible, the employment of new and improved technology, techniques, materials, and methods in housing construction, rehabilitation, and maintenance under programs administered by the Department of Housing and Urban Development with a view to reducing the cost of such construction, rehabilitation, and maintenance, and stimulating the increased and sustained production of housing under such programs.

GUARANTEE AUTHORITY

SEC. 403. To carry out the purposes of this title the Secretary is authorized to guarantee, and enter into commitments to guarantee, the bonds, debentures, notes, and other obligations issued by new community developers to help finance new community development projects. The Secretary may make such guarantees and enter into such commitments, subject to the limitations contained in sections 404 and 405, upon such terms and conditions as he may prescribe, taking into account (1) the large initial capital investment required to finance

sound new communities, (2) the extended period before initial returns on this type of investment can be expected, (3) the irregular pattern of cash returns characteristic of such investment, and (4) the financial and security interests of the United States in connection with guarantees made under this title.

ELIGIBLE NEW COMMUNITY DEVELOPMENT

SEC. 404. No guarantee or commitment to guarantee may be made under this title unless the Secretary has determined that—

(1) the proposed new community (A) will be economically feasible in terms of economic base or potential for growth, and (B) will contribute to the orderly growth and development of the area of which it is a part;

(2) there is a practicable plan (including appropriate time schedules) for financing the land acquisition and land development costs of the proposed new community and for improving and marketing the land which, giving due consideration to the public purposes of this title and the special problems involved in financing new communities, represents an acceptable financial risk to the United States;

(3) there is a sound internal development plan for the new community which (A) has received all governmental approvals required by State or local law or by the Secretary; and (B) is acceptable to the Secretary as providing reasonable assurance that the development will contribute to good living conditions in the area being developed, will be characterized by sound land use patterns, will include a proper balance of housing for families of low and moderate income, and will include or be served by such shopping, school, recreational, transportation, and other facilities as the Secretary deems satisfactory; and

(4) the internal development plan is consistent with a comprehensive plan which covers, or with comprehensive planning being carried on for, the area in which the land is situated, and which meets criteria established by the Secretary for such comprehensive plans or planning.

ELIGIBLE OBLIGATIONS

SEC. 405. (a) Any bond, debenture, note or other obligation guaranteed under this title shall—

(1) be issued by a new community developer, other than a public body, approved by the Secretary on the basis of financial, technical and administrative ability which demonstrates his capacity to carry out the proposed project;

(2) be issued to and held by investors approved by, or meeting requirements prescribed by, the Secretary, or if an offering to the public is contemplated, be underwritten upon terms and conditions approved by the Secretary;

(3) be issued to finance a program of land development (including acquisition or use of land) approved by the Secretary: Provided, That the Secretary shall, through cost certification procedures, escrow or trusteeship requirements, or other means, insure that all proceeds from the sale of obligations guaranteed under this title are expended pursuant to such program;

(4) involve a principal obligation in an amount not to exceed the lesser of (A) 80 per centum of the Secretary's estimate of the value of the property upon completion of the land development or (B) the sum of 75 per centum of the Secretary's estimate of the value of the land before development and 90 per centum of his estimate of the actual cost of the land development;

(5) bear interest at a rate satisfactory to the Secretary, such interest to be exclusive of any service charges and fees that may be approved by the Secretary;

(6) contain repayment and maturity provisions satisfactory to the Secretary; and

(7) contain provisions which the Secretary shall prescribe with respect to the protection of the security interests of the United States (including subrogation provisions), liens and releases of liens, payment of taxes, and such other matters as the Secretary may, in his discretion, prescribe.

(b) The outstanding principal obligations guaranteed under this title with respect to a single new community development project shall at no time exceed $50,000,000.

FEES AND CHARGES

SEC. 406. The Secretary is authorized to establish and collect fees for guarantees made under this title and may make such charges as he considers reasonable for the analysis of development and financing plans and for appraisals and inspections related to new community development projects. On or before January 1, 1970, the Secretary shall make a report to the Congress concerning the fees and other charges under this title that he estimates will be adequate to provide income sufficient for a self-supporting program.

GUARANTEE FUND

SEC. 407. (a) To provide for the payment of any liabilities incurred as a result of guarantees made under this title, the Secretary is authorized to establish a revolving fund which shall be comprised of (1) receipts from fees and charges; (2) recoveries under security or subrogation rights or other rights, and any other receipts obtained in connection with such guarantees; and (3) such sums, which are hereby authorized to be appropriated, as may be required for program operations and nonadministrative expenses and to make any and all payments guaranteed under this title.

(b) The full faith and credit of the United States is pledged to the payment of all guarantees made under this title with respect to both principal and interest, including (1) interest, as may be provided for in the guarantee, accruing between the date of default under a guaranteed obligation and the payment in full of the guarantee, and (2) principal and interest due under any debentures issued by the Secretary toward payment of guarantees made under this title.

(c) Notwithstanding any other provision of law relating to the acquisition, handling, improvement, or disposal of real and other property by the United States, the Secretary shall have power, for the protection of the interests of the guarantee fund authorized under this section, to pay out of such fund all expenses or charges in con-

nection with the acquisition, handling, improvement, or disposal of any property acquired by him under this title; and notwithstanding any other provision of law, the Secretary shall also have power to pursue to final collection by way of compromise or otherwise all claims acquired by him in connection with any security, subrogation, or other rights obtained by him in carrying out this title.

(d) The aggregate of the outstanding principal obligations guaranteed under this title shall at no time exceed $250,000,000.

INCONTESTABILITY

SEC. 408. Any guarantee made by the Secretary under this title shall be conclusive evidence of the eligibility of the obligations for such guarantee, and the validity of any guarantee so made shall be incontestable in the hands of a qualified holder of the guaranteed obligation except for fraud or material misrepresentation on the part of such holder.

ENCOURAGEMENT OF SMALL BUILDERS

SEC. 409. The Secretary shall adopt such requirements as he deems necessary to assure that new community construction assisted under this title will encourage the maintenance of a diversified local home-building industry and broad participation by builders, particularly small builders.

LABOR

SEC. 410. All laborers and mechanics employed by contractors or subcontractors in land development assisted under section 403 shall be paid wages at rates not less than those prevailing on similar construction in the locality as determined by the Secretary of Labor in accordance with the Davis-Bacon Act, as amended (40 U.S.C. 276a—276a–5). No assistance shall be extended under section 403 for land development without first obtaining adequate assurance that these labor standards will be maintained upon the construction work involved in such development. The Secretary of Labor shall have, with respect to the labor standards specified in this section, the authority and functions set forth in Reorganization Plan Numbered 14 of 1950 (64 Stat. 1267), and section 2 of the Act of June 13, 1934 (40 U.S.C. 276c).

REAL PROPERTY TAXATION

SEC. 411. Nothing in this title shall be construed to exempt any real property that may be acquired and held by the Secretary as a result of the exercise of lien or subrogation rights from real property taxation to the same extent, according to its value, as other real property is taxed.

SUPPLEMENTARY GRANTS

SEC. 412. (a) The Secretary is authorized to make supplementary grants to State and local public bodies and agencies carrying out new community assistance projects, as defined in section 415(c), if the Secretary determines that such grants are necessary or desirable for carrying out a new community development project approved for assistance under section 403, and that a substantial number of housing

units for low and moderate income persons is to be made available through such development project.

(b) In no case shall any grant under this section exceed 20 per centum of the cost of the new community assistance project for which the grant is made; and in no case shall the total Federal contributions to the cost of such project be more than 80 per centum.

(c) In carrying out his authority under this section the Secretary shall consult with the Secretary of Agriculture with respect to new community assistance projects assisted by that Department, and he shall, for the purpose of subsection (b), accept that Department's certifications as to the cost of such projects.

(d) There are authorized to be appropriated for grants under this section not to exceed $5,000,000 for the fiscal year ending June 30, 1969, and not to exceed $25,000,000 for the fiscal year ending June 30, 1970. Any amounts so appropriated shall remain available until expended, and any amounts authorized for any fiscal year under this subsection but not appropriated may be appropriated for any succeeding fiscal year commencing prior to July 1, 1970.

GENERAL PROVISIONS AND RULES AND REGULATIONS

SEC. 413. In the performance of, and with respect to, the functions, powers, and duties vested in him by this title, the Secretary shall (in addition to any authority otherwise vested in him) have the functions, powers, and duties (including the authority to issue rules and regulations) set forth in section 402, except subsections (c)(2), (d), and (f), of the Housing Act of 1950: Provided, That subsection (a)(1) of section 402 shall not apply with respect to functions, powers, and duties under section 412 of this title.

AUDIT BY GENERAL ACCOUNTING OFFICE

SEC. 414. Insofar as they relate to any grants or guarantees made pursuant to this title, the financial transactions of recipients of Federal grants or of developers whose obligations are guaranteed by the United States pursuant to this title may be audited by the General Accounting Office under such rules and regulations as may be prescribed by the Comptroller General of the United States. The representatives of the General Accounting Office shall have access to all books, account, records, reports, files, and all other papers, things, or property belonging to or in use by such developers or recipients of grants pertaining to such financial transactions and necessary to facilitate the audit.

DEFINITIONS

SEC. 415. As used in this title—

(a) The term "land development" means the process of grading land, making, installing, or constructing water lines and water supply installations, sewer lines and sewage disposal intallations, steam, gas, and electric lines and installations, roads, streets, curbs, gutters, sidewalks, storm drainage facilities, and other installations or work, whether on or off the site, which the Secretary deems necessary or desirable to prepare land for residential, commercial, industrial, or other uses, or to provide facilities for public or common use. The term

"land development" shall not include any building unless it is (1) a building which is needed in connection with a water supply or sewage disposal installation or a steam, gas, or electric line or installation, or (2) a building, other than a school, which is to be owned and maintained jointly by the residents of the new community or is to be transferred to public ownership, but not prior to its completion.

(b) The term "actual costs" means the costs (exclusive of rebates or discounts) incurred by a new community developer in carrying out the land development assisted under this title. These costs may include amounts paid for labor, materials, construction contracts, land planning, engineers' and architects' fees, surveys, taxes, and interest during development, organizational and legal expenses, such allocation of general overhead expenses as are acceptable to the Secretary, and other items of expense incidental to development which may be approved by the Secretary. If the Secretary determines that there is an identity of interest between the new community developer and a contractor, there may be included as a part of actual costs an allowance for the contractor's profit in an amount deemed reasonable by the Secretary.

(c) The term "new community assistance projects" means projects assisted by grants made under section 702 of the Housing and Urban Development Act of 1965, section 306(a)(2) of the Consolidated Farmers' Home Administration Act, or title VII of the Housing Act of 1961.

CONFORMING AMENDMENTS

SEC. 416. (a) Section 202(b)(4) of the Housing Amendments of 1955 is amended by adding before the period at the end of the second sentence "or under title IV of the Housing and Urban Development Act of 1968".

(b) The first paragraph of section 24 of the Federal Reserve Act is amended by striking out all that follows "national banking association" in the fourth sentence and adding "may make loans or purchase obligations for land development which are secured by mortgages insured under title X of the National Housing Act or guaranteed under title IV of the Housing and Urban Development Act of 1968.".

(c) The paragraph which, prior to the amendments made by this Act, was the next to last paragraph of section 5(c) of the Home Owners' Loan Act of 1933 is amended by adding at the end thereof the following new sentence: "Without regard to any other provision of this subsection, an association may invest in loans or obligations, or interests therein, as to which the association has the benefit of any guaranty under title IV of the Housing and Urban Development Act of 1968, as now or hereafter in effect, or of a commitment or agreement therefor, and such investments shall not be included in any percentage of assets or other percentage referred to in this subsection."

TITLE V—URBAN RENEWAL

NEIGHBORHOOD DEVELOPMENT PROGRAMS

SEC. 501. (a) Title I of the Housing Act of 1949 is amended by adding after the title heading the following new subheading:

"PART A—URBAN RENEWAL PROJECTS, DEMOLITION PROGRAMS, AND CODE ENFORCEMENT PROGRAMS"

(b) Title I of such Act is further amended by adding at the end thereof the following new part:

"PART B—NEIGHBORHOOD DEVELOPMENT PROGRAMS

"PURPOSE AND AUTHORITY

"SEC. 131. (a) To facilitate more rapid renewal and development of urban areas on an effective scale, and to encourage more efficient and flexible utilization of public and private development opportunities by local communities in such areas, the Secretary is authorized to make financial assistance available under this title to local public agencies for undertakings and activities which are carried out under a neighborhood development program approved by him pursuant to this part.

"(b) A neighborhood development program shall consist of urban renewal project undertakings and activities in one or more urban renewal areas which are planned and carried out on the basis of annual increments in accordance with the provisions of this title for planning and carrying out urban renewal projects, except as modified by the provisions of this part.

"(c) No application for financial assistance in planning and carrying out a neighborhood development program shall be approved by the Secretary unless—

"(1) the governing body of the locality has, by resolution or ordinance, approved the proposed program and the annual increment covered by the application and authorized the filing of the application for financial assistance; and

"(2) the Secretary has concluded that there is the necessary capacity to carry out the undertakings and activities included under the program.

"FINANCIAL PROVISIONS

"SEC. 132. (a) Upon the approval of a neighborhood development program by the Secretary, the cost of any undertakings and activities authorized as part of the program shall be financed in accordance with the loan, capital grant, and project cost provisions of part A, except that—

"(1) net project cost may be calculated on the basis of costs incurred and proceeds derived for the account of the program during a specified twelve-month period, and may be recalculated for succeeding periods of twelve months to reflect additional costs and additional proceeds since the date of the last computation or recomputation; and

"(2) if property has been acquired but not disposed of prior to the computation or recomputation of net project cost, temporary loans made or secured under this title to finance undertakings or activities included in the program may remain outstanding until the property has been disposed of and the proceeds thereof, together with additional funds becoming available to the program, are sufficient to permit repayment of the loans.

"(b) *In the event that gross project cost as computed for a specified twelve-month period is exceeded, with respect to that period, by the sum of (1) the sales price of land or other property sold, and (2) the imputed capital value of land or other property leased or retained by the local public agency in accordance with the provisions of the urban renewal plan, the local public agency shall pay to the Secretary two-thirds of the excess (or three-fourths in the case of a program on a three-fourths grant basis), which amount shall be available to the Secretary for grant payments under section 103.*

"LOCAL GRANTS-IN-AID

"SEC. 133. *(a) For the purpose of determining the eligibility of local grants-in-aid in connection with undertakings and activities carried out under a neighborhood development program, the three-year period referred to in the second paragraph of section 110(d) shall be deemed to be a period of three years prior to the authorization by the Secretary of the first contract for financial assistance under the program which includes the urban renewal area which is benefited by the public improvement or facility for which credit is claimed; and the seven-year period referred to in clause (1) of section 112(b) shall be deemed to be a period of seven years prior to the date of authorization by the Secretary of the first contract for financial assistance under the program which includes the urban renewal area which is benefited by the expenditures for which credit is claimed.*

"(b) *No portion of the cost of a public improvement or public facility (to the extent otherwise eligible) may be included as a local grant-in-aid in computing the gross project cost of an approved program for any twelve-month period—*

"(1) *prior to commencement of construction of the improvement or facility, or*

"(2) *in excess of the amount actually expended or obligated by contract.*

"(c) *The provisions of section 104 with respect to the pooling of local grants-in-aid among the various projects undertaken by a local public agency shall not be applicable with respect to any excess local grants-in-aid resulting from the urban renewal projects contained in a neighborhood development program.*

"GENERAL PROVISIONS

"SEC. 134. *(a) For purposes of this part—*

"(1) *the workable program requirement in section 101(c) shall apply to the authorization, rather than the execution, of any contract for loans or capital grants;*

"(2) *capital grants on a three-fourths basis may only be made under section 103(a)(2)(B);*

"(3) *the relocation requirements specified in section 105(c) shall apply to each annual increment of an approved program;*

"(4) *section 106(g) (relating to transient housing) shall apply to activities undertaken under approved programs, except that the determination as to need for transient housing shall be made with respect to any sale or lease of land for construction of such housing prior to such sale or lease; and*

"(5) the requirement concerning demolition and removal of buildings and improvements stated in clause (A) of the sentence following paragraph (10) of section 110(c) shall apply to each annual increment of an approved program.

"(b) The approval by the Secretary of financial assistance for one or more annual increments of a neighborhood development program shall not be considered as obligating him to provide financial assistance for any subsequent annual increments.

"(c) The urban renewal plan referred to in section 110(b) may cover one or more of the urban renewal areas covered by a neighborhood development program and such plan may be modified from time to time to cover additional urban renewal areas added to the program. The Secretary may establish such requirements as he deems appropriate prescribing the scope and content of such plan, taking into consideration, among other matters, the degree of detail needed in the plan to properly and expeditiously carry out the activities and undertakings proposed in any annual increment of a neighborhood development program."

(c) Notwithstanding any requirement or condition to the contrary in section 6 or 20(i) of the District of Columbia Redevelopment Act of 1945 or in any other provision of law, the District of Columbia Redevelopment Land Agency may plan and undertake neighborhood development programs under part B of title I of the Housing Act of 1949 (as added by this section), subject to all of the provisions of such Act of 1945 to the extent not inconsistent with such part B, and any such program shall be regarded as complying with the requirements of such sections 6 and 20(i) and of such other provision of law if it meets the applicable requirements established under such part B.

INCREASED AUTHORIZATION

SEC. 502. (a) Section 103(b) of the Housing Act of 1949 is amended by striking out everything in the first sentence after "exceed" and inserting in lieu thereof "$7,600,000,000, which amount shall be increased by $1,400,000,000 on July 1, 1969".

(b) Section 103(b) of such Act is further amended by striking out "$250,000,000" in the second sentence and inserting in lieu thereof "$600,000,000".

REHABILITATION GRANTS

SEC. 503. (a) The second sentence of section 115(a) of the Housing Act of 1949 is amended by striking out the words "a structure" and "such structure" and inserting in lieu thereof "real property" and "such real property", respectively.

(b) Section 115(b) of such Act is amended by striking out "$1,500" and inserting in lieu thereof "$3,000".

(c) Section 115(a) of such Act is amended by inserting "(1)" after "(a)", and by adding at the end thereof a new paragraph as follows:

"(2) In addition to the authority conferred by paragraph (1), and notwithstanding any other provision of this title, the Secretary is authorized, through the utilization of local public agencies where feasible, to make grants (payable from any grant funds provided under section 103(b)) to an individual or family, as described in

subsection (b), to cover the cost of repairs and improvements necessary to make real property owned and occupied by such individual or family conform to public standards for decent, safe, and sanitary housing. No grants shall be made under this paragraph in the case of any property, unless (A) such property is in an area within a locality (other than an urban renewal or code enforcement area) which the governing body of the locality has determined, and so certifies to the Secretary, contains a substantial number of structures in need of such repairs and improvements, (B) there is in effect for the locality a workable program meeting the requirements of section 101(c), and (C) the area is definitely planned for rehabilitation or concentrated code enforcement within a reasonable time, and such repairs and improvements to such property are consistent with the plan for rehabilitation or concentrated code enforcement."

(d) Section 115 of such Act is further amended—

(1) by redesignating subsection (b) as subsection (c) and inserting after subsection (a) a new subsection (b) as follows:

"(b) The Secretary is authorized to make grants (payable from any grant funds provided under section 103(b)), through the utilization of local public and private agencies where feasible, to an individual or family, as described in subsection (c), who owns and occupies real property which has been determined to be uninsurable because of physical hazards after an inspection pursuant to a statewide property insurance plan approved by the Secretary under title XII of the National Housing Act. Such grants may only be made to rehabilitate such property to the extent which the Secretary determines to be necessary to make it meet reasonable underwriting standards imposed by such plan."; and

(2) by striking out "subsection (b)" in subsection (a) and inserting in lieu thereof "subsection (c)".

REHABILITATION IN URBAN RENEWAL AREAS

SEC. 504. Section 110(c)(8) of the Housing Act of 1949 is amended by striking out (1) "guidance purposes, and", and (2) the proviso at the end thereof.

DISPOSITION OF PROPERTY FOR LOW AND MODERATE INCOME HOUSING

SEC. 505. Section 107(a) of the Housing Act of 1949 is amended—

(1) by inserting after "public body or agency," the following: "or other approved purchaser or lessee,";

(2) by inserting ", section 221(h)(1), section 235(j)(1), or section 236" after "or (d)(4)";

(3) by inserting "or lessee" after "a purchaser" and after "such purchaser", and "or lease" after "purchase";

(4) by striking out "rental or cooperative";

(5) by striking out "moderate" and inserting in lieu thereof "low or moderate"; and

(6) by inserting before the period at the end thereof the following: ": Provided, That when property is made available under clause (1) to an approved purchaser or lessee other than a limited dividend corporation, nonprofit corporation or association, cooperative, or public body or agency, the Secretary shall assure

that the benefits of this subsection will go to the occupant of the property rather than to such purchaser or lessee".

GRANTS FOR LOW AND MODERATE INCOME HOUSING IN OPEN LAND PROJECTS

SEC. 506. Section 103(a)(1) of the Housing Act of 1949 is amended by inserting before the period at the end thereof the following: ", except that he may contract for a grant in an amount not to exceed two-thirds of the difference between the proceeds from any land disposed of pursuant to section 107 and the fair value of the land without regard to such section".

URBAN RENEWAL LOAN CONTRACTS

SEC. 507. (a) Section 102(c) of the Housing Act of 1949 is amended—

(1) by striking out "at interest rates lower than provided in the loan contract" in the first sentence; and

(2) by inserting before the period at the end of the first sentence the following: ": Provided, That, if at any time during the undertaking of the project, the interest rate on such a loan from a source other than the Federal Government is greater than the rate at which funds could be made available under the Federal loan contract, the Secretary may make a supplemental grant to the local public agency in the amount of the difference between the interest cost from such sources and the interest cost at the contract rate, and no part of the amount of any such grant shall be required to be contributed as a part of the local grant-in-aid".

(b) Loan contracts outstanding on the date of enactment of this section may be amended to incorporate the provisions authorized by the amendment contained in subsection (a) without regard to the proviso in section 110(g) of the Housing Act of 1949.

PROJECT COMPLETION PRIOR TO DISPOSITION OF CERTAIN PROPERTY

SEC. 508. (a) Section 106 of the Housing Act of 1949 is amended by adding at the end thereof the following new subsection:

"(i) Upon a determination by the Secretary that (1) not more than 5 per centum of the total area of land acquired as part of an urban renewal project remains to be disposed of, (2) the local public agency does not expect to be able, due to circumstances beyond its control, to dispose of such land in the near future, (3) all other project activities are completed, and (4) the local public agency has agreed to dispose of or retain such land for uses in accordance with the urban renewal plan, the urban renewal project may be deemed completed, and the net project cost may be computed and the capital grant paid."

(b) Section 110(f) of such Act is amended by inserting before the period at the end thereof the following: "or for subsequent disposition or retention as provided under section 106(i)".

REHABILITATION LOANS

SEC. 509. (a) The first sentence of section 312(d) of the Housing Act of 1964 is amended to read as follows: "There is authorized to be appropriated not to exceed $150,000,000 for each fiscal year which shall constitute a revolving fund to be used by the Secretary in carrying out this section."

(b) Section 312(h) of such Act is amended by striking out "October 1, 1969" and inserting in lieu thereof "June 30, 1973".

(c) Section 312(a) of such Act is amended to read as follows:

"(a) The Secretary is authorized, through the utilization of local public and private agencies where feasible, to make loans as herein provided to the owners and tenants of property to finance the rehabilitation of such property. No loan shall be made under this section unless—

"(1)(A) the property is situated in an urban renewal area or an area in which a program of concentrated code enforcement activity is being carried out pursuant to section 117 of the Housing Act of 1949, and the rehabilitation is required to make the property conform to applicable code requirements or to carry out the objectives of the urban renewal plan for the area and, in addition, to generally improve the condition of the property; or

"(B) (i) the property is in an area (other than an area described in subparagraph (A)) which the governing body of the locality has determined, and so certifies to the Secretary, contains a substantial number of structures in need of rehabilitation, (ii) there is in effect for the locality a workable program meeting the requirements of section 101(c) of the Housing Act of 1949, (iii) the property is residential and owner-occupied, (iv) the property is in need of rehabilitation and is in violation of the local minimum housing or similar code, and (v) the area is definitely planned for rehabilitation or concentrated code enforcement within a reasonable time, and the rehabilitation of such property is consistent with the plan for rehabilitation or code enforcement;

"(2) the applicant is unable to secure the necessary funds from other sources upon comparable terms and conditions; and

"(3) the loan is an acceptable risk taking into consideration the need for the rehabilitation, the security available for the loan, and the ability of the applicant to repay the loan."

(d) Section 312 of such Act is further amended—

(1) by inserting "or" after the semicolon at the end of paragraph (1)(B) in subsection (a) (as amended by subsection (c) of this section), and by inserting after such paragraph (1)(B) the following new subparagraph:

"(C)(i) the property has been determined to be uninsurable because of physical hazards after an inspection pursuant to a statewide property insurance plan approved by the Secretary under title XII of the National Housing Act, and (ii) the loan is made to the owner or tenant of the property to finance rehabilitation which the Secretary determines to be necessary to make the property meet reasonable underwriting standards;"; and

(2) by striking out "or" after "applicable codes" in subsection (b)(1) and inserting in lieu thereof a comma, and by inserting after "urban renewal plan" in such subsection ", or a statewide property insurance plan".

(e) Section 312(a) of such Act (as amended by the preceding provisions of this section) is amended by adding at the end thereof the following new sentence: "Notwithstanding the preceding provisions of this subsection, no loan with respect to residential property shall be made under this section to any person whose annual income, as

determined pursuant to criteria and procedures established by the Secretary, exceeds the limits prescribed by the Secretary for occupants of projects financed with below-market interest rate mortgages insured (in the area involved) under section 221(d)(3) of the National Housing Act: Provided, That the provisions of this sentence shall not apply to property in the area of an urban renewal project or a code enforcement project for which the city or other local public body or agency is receiving financial assistance under title I of the Housing Act of 1949 if, prior to the date of enactment of the Housing and Urban Development Act of 1968, such local public body or agency specifically developed plans for such project in reliance upon the availability of loans under this section."

DEMOLITION GRANTS

SEC. 510. (a) The first sentence of section 116(a) of the Housing Act of 1949 is amended by inserting after "unsound" the following: ", a harborage or potential harborage of rats,".

(b) Section 116(b) of such Act is amended by inserting after the comma at the end of clause (2) the following: "or will be consistent with a systematic rodent control program being undertaken in the neighborhood,".

AIR RIGHTS SITES IN URBAN RENEWAL AREAS

SEC. 511. (a) Section 110(c)(1)(iv) of the Housing Act of 1949 is amended by striking out "for use for industrial development" and inserting in lieu thereof "for use for the development of industrial or educational facilities".

(b) Section 110(c)(7) of such Act is amended by striking out "for industrial development" and inserting in lieu thereof "for the development of industrial or educational facilities".

LOW AND MODERATE INCOME HOUSING IN RESIDENTIAL URBAN RENEWAL AREAS

SEC. 512. Section 105(f) of the Housing Act of 1949 is amended to read as follows:

"(f) A majority of the housing units provided in each community's total of such approved urban renewal projects as will be redeveloped for predominantly residential uses and which receive Federal recognition after the date of enactment of the Housing and Urban Development Act of 1968 shall be standard housing units for low and moderate income families or individuals: Provided, That the units in each community's total of such approved urban renewal projects which are for low-income families or individuals shall constitute at least 20 per centum of the units in such projects, except that the Secretary may waive the requirement of this proviso in any community to the extent that units for low-income families and individuals are not needed. The Secretary shall promptly report any waiver under the proviso in the preceding sentence to the Committees on Banking and Currency of the Senate and the House of Representatives."

WORKABLE PROGRAM REQUIREMENT IN CASE OF INDIAN TRIBES

SEC. 513. Section 101(c) of the Housing Act of 1949 is amended by inserting after "1964" in the second proviso the following: "or, in the case of an Indian tribe, band, or nation, commencing January 1, 1970".

INTERIM ASSISTANCE FOR BLIGHTED AREAS

SEC. 514. Title I of the Housing Act of 1949 is amended by adding after section 117 a new section as follows:

"INTERIM ASSISTANCE FOR BLIGHTED AREAS

"SEC. 118. Notwithstanding any other provision of this title, the Secretary is authorized to enter into contracts (in an aggregate amount not to exceed $15,000,000 in any fiscal year) to make, and to make, grants as provided in this section (payable from any grant funds provided under section 103(b)) to cities, other municipalities, and counties for the purpose of assisting such localities in carrying our programs to alleviate harmful conditions in slum and blighted areas which are planned for substantial clearance, rehabilitation, or federally assisted code enforcement in the near future but in which some immediate public action is needed until clearance, rehabilitation, or code enforcement activities can be undertaken. Such grants shall not exceed two-thirds (or three-fourths in the case of any city, other municipality, or county having a population of fifty thousand or less according to the most recent decennial census) of the cost of planning and carrying out programs which may include (1) the repair of streets, sidewalks, parks, playgrounds, publicly owned utilities, and public buildings to meet needs consistent with the short-term continued use of the area prior to the undertaking of the contemplated clearance or upgrading activities, (2) the improvement of private properties to the extent needed to eliminate the most immediate dangers to public health and safety, (3) the demolition of structures determined to be structurally unsound or unfit for human habitation and which constitute a public nuisance and serious hazard to the public health and safety, (4) the establishment of temporary public playgrounds on vacant land within the area, and (5) the improvement of garbage and trash collection, street cleaning, and similar activities. The Secretary shall encourage, wherever feasible, the employment of otherwise unemployed or underemployed residents of the area in carrying out the activities and undertakings assisted under this section. The provisions of sections 101(c), 106, and 114 shall be applicable to activities and undertakings assisted under this section to the same extent as if such activities and undertakings were being carried out in an urban renewal area as part of an urban renewal project."

UTILIZATION OF LOCAL PRIVATE NONPROFIT AGENCIES FOR REHABILITATION GRANTS IN CODE ENFORCEMENT AREAS

SEC. 515. Section 117 of the Housing Act of 1949 is amended by inserting the following before the period at the end thereof: ": Provided, That the Secretary may, in addition to authorizing a local public agency to make grants as prescribed in section 115, make such grants through the utilization of local private nonprofit agencies".

RELOCATION PAYMENTS

SEC. 516. Section 114(c) of the Housing Act of 1949 is amended—

(1) by striking out the first sentence of paragraph (2) and inserting in lieu thereof the following: "In addition to any amount under paragraph (1), a local public agency may pay to or on behalf of any displaced family, displaced individual sixty-two years of age or over, or displaced handicapped individual, monthly payments over a period not to exceed twenty-four months in an amount not to exceed $500 in the first twelve months and $500 in the second twelve months to assist such displaced family or individual to secure a decent, safe, and sanitary dwelling.";

(2) by striking out "relocation adjustment" in the second sentence of paragraph A2Q and inserting in lieu thereof "additional";

(3) by striking out the second proviso in paragraph (2) and inserting in lieu thereof the following: ": Provided further, That additional payments under this paragraph may be paid on a lump sum or other than monthly basis in cases in which the small size of the payments that would otherwise be required do not warrant a number of separate payments or in other cases in which other than monthly payments are determined warranted by the Secretary: And provided further, That no payment received under this paragraph shall be considered as income for the purpose of determining the eligibility or the extent of eligibility of any person for assistance under the Social Security Act or any other Federal Act"; and

(4) by inserting a new paragraph (3) as follows:

"(3) In addition to any amount under paragraph (1), a local public agency may make a payment to a displaced family or individual, who does not receive the additional payment authorized under paragraph (2) and who is the owner of real property which is acquired for a project assisted under this title and which is improved by a single- or two-family dwelling occupied by the owner for a period of not less than one year prior to the initiation of negotiations for the acquisition of such property. Such payment, not to exceed $5,000, shall be an amount which, when added to the acquisition payment, equals the average price required for a decent, safe, and sanitary dwelling of modest standards adequate in size to accommodate the displaced owner, reasonably accessible to public services and places of employment and available on the private market: Provided, That such payment may be made only to a displaced owner who purchases and occupies a dwelling within one year subsequent to the date on which he is required to move from the dwelling acquired for the project: Provided further, That no such payment may be made if the owner-occupant receives a payment required by the State law of eminent domain which is determined by the Secretary to have substantially the same purpose and effect as this paragraph and to be part of the cost of the project for which Federal financial assistance is available."

TITLE VI—URBAN PLANNING AND FACILITIES

COMPREHENSIVE PLANNING

SEC. 601. Section 701 of the Housing Act of 1954 is amended to read as follows:

"COMPREHENSIVE PLANNING

"SEC. 701. (a) In order to assist State and local governments in solving planning problems, including those resulting from the increasing concentration of population in metropolitan and other urban areas and the out-migration from and lack of coordinated development of resources and services in rural areas; to facilitate comprehensive planing for urban and rural development, including coordinated transportation systems, on a continuing basis by such governments; and to encourage such governments to establish and improve planning staffs and techniques on an areawide basis, and to engage private consultants where their professional services are deemed appropriate by the assisted governments, the Secretary is authorized to make planning grants to—

"(1) State planning agencies for the provision of planning assistance to (A) cities and other municipalities having a population of less than 50,000 according to the latest decennial census, and counties without regard to population: Provided, That grants shall be made under this paragraph for planning assistance to counties having a population of 50,000 or more, according to the latest decennial census, which are within metropolitan areas, only if (i) the Secretary finds that planning and plans for such county will be coordinated with the program of comprehensive planning, if any, which is being carried out for the metropolitan area of which the county is a part, and (ii) the aggregate amount of the grants made subject to this proviso does not exceed 15 per centum of the aggregate amount appropriated, after September 2, 1964, for the purposes of this section, (B) any group of adjacent communities, either incorporated or unincorporated, having a total population of less than 50,000 according to the latest decennial census and having common or related urban planning problems, (C) cities, other municipalities, and counties referred to in paragraph (3) of this subsection, and areas referred to in paragraph (4) of this subsection, and (D) Indian reservations;

"(2) State, metropolitan, and regional planning agencies for metropolitan or regional planning, and to cities, within metropolitan areas, for planning which is part of comprehensive metropolitan planning and which shall supplement and be coordinated with State, metropolitan, and regional planning;

"(3) (A) economic development districts designated by the Secretary of Commerce under title IV of the Public Works and Economic Development Act of 1965, and

"(B) cities, other municipalities, and counties which (i) are situated in redevelopment areas or economic development districts designated by the Secretary of Commerce under title IV of the Public Works and Economic Development Act of 1965, or (ii) have suffered substantial damage as a result of catastrophe which the President, pursuant to section 2(a) of the Act entitled 'An

Act to authorize Federal assistance to States and local governments in major disasters, and for other purposes', approved September 30, 1950, as amended (42 U.S.C. 1855a), has determined to be a major disaster;

"(4) official governmental planning agencies for areas where rapid urbanization has resulted or is expected to result from the establishment or rapid and substantial expansion of a Federal installation, or for areas where rapid urbanization is expected to result on land developed or to be developed as a new community approved under section 1004 of the National Housing Act or title IV of the Housing and Urban Development Act of 1968;

"(5) States for State and interstate comprehensive planning and for research and coordination activity related thereto, including technical and other assistance for the establishment and operation of intrastate and interstate planning agencies;

"(6) State planning agencies for assistance to district planning, or planning for areas within districts, carried on by or for district planning agencies;

"(7) metropolitan and regional planning agencies, with the approval of the State planning agency or (in States where no such planning agency exists) of the Governor of the State, for the provision of planning assistance within the metropolitan area or region to cities, other municipalities, counties, groups of adjacent communities, or Indian reservations described in clauses (A), (B), (C), and (D) of paragraph (1) of this subsection;

"(8) official governmental planning agencies for any area where there has occurred a substantial reduction in employment opportunities as the result of (A) the closing (in whole or in part) of a Federal installation, or (B) a decline in the volume of Government orders for the procurement of articles or materials produced or manufactured in such area;

"(9) tribal planning councils or other tribal bodies designated by the Secretary of the Interior for planning for an Indian reservation;

"(10) the various regional commissions established by the Appalachian Regional Development Act of 1965 or under the Public Works and Economic Development Act of 1965 for comprehensive planning for the regions established under such Acts (or State agencies or instrumentalities participating in such planning); and

"(11) local development districts, certified under section 301 of the Appalachian Regional Development Act of 1965, for comprehensive planning for their entire areas, or for metropolitan planning, urban planning, county planning, or small municipality planning within such areas in the Appalachian region, and for planning for Appalachian regional programs.

Planning assisted under this section shall, to the maximum extent feasible, cover entire areas having common or related development problems. The Secretary shall encourage cooperation in preparing and carrying out plans among all interested municipalities, political subdivisions, public agencies, and other parties in order to achieve coordinated development of entire areas. To the maximum extent feasible, pertinent plans and studies already made for areas shall be utilized so as to avoid unnecessary repetition of effort and expense.

Planning which may be assisted under this section includes the preparation of comprehensive transportation surveys, studies, and plans to aid in solving problems of traffic congestion, facilitating the circulation of people and goods in metropolitan and other areas and reducing transportation needs. Planning carried out with assistance under this section shall also include a housing element as part of the preparation of comprehensive land use plans, and this consideration of the housing needs and land use requirements for housing in each comprehensive plan shall take into account all available evidence of the assumptions and statistical bases upon which the projection of zoning, community facilities, and population growth is based, so that the housing needs of both the region and the local communities studied in the planning will be adequately covered in terms of existing and prospective in-migrant population growth. Funds available under this section shall be addition to and may be used jointly with funds available for planning surveys and investigations under other federally aided programs, and nothing contained in this section shall be construed as affecting the authority of the Secretary of Transportation under section 307 of title 23, United States Code.

"(b) A planning grant made under subsection (a) shall not exceed two-thirds of the estimated cost of the work for which the grant is made: Provided, That such a grant may be made for up to 75 per centum of such estimated cost when made for planning primarily for (1) redevelopment areas, local development districts, or economic development districts, or portions thereof, described in paragraph (3) (A) and (B) (i) and paragraph (11) of subsection (a), (2) areas described in subsection (a) (8), and (3) the various regions, as described in subsection (a) (10). All grants made under this section shall be subject to terms and conditions prescribed by the Secretary. No portion of any grant made under this section shall be used for the preparation of plans for specific public works. The Secretary is authorized, notwithstanding the provisions of section 3648 of the Revised Statutes, as amended, to make advance or progress payments on account of any grant made under this section. There are authorized to be appropriated for the purposes of this section not to exceed $265,000,000 prior to July 1, 1969, and not to exceed $390,000,000 prior to July 1, 1970. Of the amount available prior to July 1, 1969, $20,000,000 may be used only for district planning grants under subsection (a) (6), which amount shall be increased by $10,000,000 on July 1, 1969. Any amounts appropriated under this section shall remain available until expended: Provided, That, of any funds appropriated under this section, not to exceed an aggregate of $10,000,000 plus 5 per centum of the funds so appropriated may be used by the Secretary for studies, research, and demonstration projects, undertaken independently or by contract, for the development and improvement of techniques and methods for comprehensive planning and for the advancement of the purposes of this section, and for grants to assist in the conduct of studies and research relating to needed revisions in State statutes which create, govern, or control local governments and local governmental operations.

"(c) The Secretary is authorized, in areas embracing several municipalities or other political subdivisions, to encourage planning on a unified regional, district, or metropolitan basis and to provide technical assistance for such planning and the solution of problems relating thereto.

"(d) *It is the further intent of this section to encourage comprehensive planning, including transportation planning, for States, cities, counties, metropolitan areas, districts, regions, and Indian reservations and the establishment and development of the organizational units needed therefor. In extending financial assistance under this section, the Secretary may require such assurances as he deems adequate that the appropriate State and local agencies are making reasonable progress in the development of the elements of comprehensive planning. The Secretary is authorized to provide technical assistance to State and local governments and their agencies and instrumentalities, and to Indian tribal bodies, undertaking such planning and, by contract or otherwise, to make studies and publish information on related problems.*

"(e) *In the exercise of his responsibilities under this section, the Secretary shall consult with those officials of the Federal Government responsible for the administration of programs of Federal assistance to the States and municipalities for various categories of public facilities and other comprehensively planned activities. He shall, particularly, consult with the Secretary of Agriculture prior to his approval of any district planning grants under subsections (a)(6) and (g), and with the Secretary of Commerce prior to his approval of any planning grants which include any part of an economic development district as defined and designated under the Public Works and Economic Development Act of 1965. The Secretary of Agriculture and the Secretary of Commerce, as appropriate, may provide technical assistance, with or without reimbursement, in connection with the establishment of districts by the Secretary of Housing and Urban Development and the carrying out of planning by such districts.*

"(f) *The consent of the Congress is hereby given to any two or more States to enter into agreements or compacts, not in conflict with any law of the United States, for cooperative efforts and mutual assistance in the comprehensive planning for the growth and development of interstate, metropolitan, or other urban areas, and to establish such agencies, joint or otherwise, as they may deem desirable for making effective such agreements and compacts.*

"(g) *In addition to the planning grants authorized by subsection (a), the Secretary is further authorized to make grants to organizations composed of public officials representative of the political jurisdictions within the metropolitan area, region, or district for the purpose of assisting such organizations to undertake studies, collect data, develop metropolitan, regional, and district plans and programs, and engage in such other activities, including implementation of such plans, as the Secretary finds necessary or desirable for the solution of the metropolitan, regional, or district problems in such areas, regions, or districts. To the maximum extent feasible, all grants under this subsection shall be for activities relating to all the developmental aspects of the total metropolitan area, region, or district including, but not limited to, land use, transportation, housing, economic development, natural resources development, community facilities, and the general improvement of living environments. A grant under this subsection shall not exceed two-thirds of the estimated cost of the work for which the grant is made.*

"(h) *In addition to the other grants authorized by this section, the Secretary is authorized to make grants to assist any city, other*

municipality, or county in making a survey of the structures and sites in such locality which are determined by its appropriate authorities to be of historic or architectural value. Any such survey shall be designed to identify the historic structures and sites in the locality, determine the cost of their rehabilitation or restoration, and provide such other information as may be necessary or appropriate to serve as a foundation for a balanced and effective program of historic preservation in such locality. The aspects of any such survey which relate to the identification of historic and architectural values shall be conducted in accordance with criteria found by the Secretary to be comparable to those used in establishing the national register maintained by the Secretary of the Interior under other provisions of law; and the results of each such survey shall be made available to the Secretary of the Interior. A grant under this subsection shall not exceed two-thirds of the cost of the survey for which it is made, and shall be made to the appropriate agency or entity specified in paragraphs (1) through (11) of subsection (a) or, if there is no such agency or entity which is qualified and willing to receive the grant and provide for its utilization in accordance with this subsection, directly to the city, other municipality, or county involved.

"(i) As used in this section—

"(1) The term 'metropolitan area' means a standard metropolitan statistical area, as established by the Bureau of the Budget, subject, however, to such modifications or extensions as the Secretary deems to be appropriate for the purposes of this section.

"(2) The term 'region' includes (A) all or part of the area of jurisdiction of one or more units of general local government, and (B) one or more metropolitan areas.

"(3) The term 'district' includes all or part of the area of jurisdiction of (A) one or more counties, and (B) one or more other units of general local government, but does not include any portion of a metropolitan area.

"(4) The term 'comprehensive planning' includes the following:

"(A) preparation, as a guide for governmental policies and action, of general plans with respect to (i) the pattern and intensity of land use, (ii) the provision of public facilities (including transportation facilities) and other government services, and (iii) the effective development and utilization of human and natural resources;

"(B) long-range physical and fiscal plans for such action;

"(C) programing of capital improvements and other major expenditures, based on a determination of relative urgency, together with definitive financing plans for such expenditures in the earlier years of the program;

"(D) coordination of all related plans and activities of the State and local governments and agencies concerned; and

"(E) preparation of regulatory and administrative measures in support of the foregoing.

Comprehensive planning for the purpose of districts shall not include planning for or assistance to establishments in relocating from one area to another or assist subcontractors whose purpose is to divest, or whose economic success is dependent upon divesting, other contractors or subcontractors of contracts theretofore customarily performed

by them: Provided, That this limitation shall not be construed to prohibit assistance for the expansion of an existing business entity through the establishment of a new branch, affiliate, or subsidiary of such entity, if the Secretary finds that the establishment of such branch, affiliate, or subsidiary will not result in an increase in unemployment in the area of original location or in any other area where such entity conducts business operations, unless the Secretary has reason to believe that such branch, affiliate, or subsidiary is being established with the intention of closing down the operations of the existing business entity in the area of its original location or in any other area where it conducts such operations.

"(5) The term 'State planning agencies' includes official State planning agencies and (in States where no such planning agency exists) agencies or instrumentalities of State government designated by the Governor of the State and acceptable to the Secretary.

"(6) The terms 'metropolitan planning agencies', 'regional planning agencies', and 'district planning agencies' mean official metropolitan, regional, and district planning agencies, or other agencies and instrumentalities designated by the Governor (or Governors in the case of interstate planning), and acceptable to the Secretary, empowered under State or local law or interstate compact to perform metropolitan, regional, or district planning, respectively: Provided, That such agencies and instrumentalities shall, to the greatest practicable extent, be composed of or responsible to the elected officials of the unit or units of general local government for whose jurisdictions they are empowered to engage in planning."

PLANNED AREAWIDE DEVELOPMENT

SEC. 602. (a) The heading of title II of the Demonstration Cities and Metropolitan Development Act of 1966 is amended to read as follows: "TITLE II—PLANNED AREAWIDE DEVELOPMENT".

(b) Section 201 of such Act is amended to read as follows:

"FINDINGS AND DECLARATION OF PURPOSE

"SEC. 201. (a) The Congress hereby finds that the welfare of the Nation and of its people is directly dependent upon the sound and orderly development and the effective organization and functioning of our State and local governments.

"It further finds that it is essential that our State and local governments prepare, keep current, and carry out comprehensive plans and programs for their orderly physical development with a view to meeting efficiently all their economic and social needs.

"It further finds that our State and local governments are especially handicapped in this task by the complexity and scope of governmental services required, the multiplicity of political jurisdictions and agencies involved, and the inadequacy of the operational and administrative arrangements available for cooperation among them.

"It further finds that present requirements for areawide planning and programing in connection with various Federal programs have materially assisted in the solution of areawide problems, but that

greater coordination of Federal programs and additional participation and cooperation are needed from the States and localities in perfecting and carrying out such efforts.

"(b) It is the purpose of this title to provide through greater coordination of Federal programs, and through supplementary grants for certain federally assisted development projects, additional encouragement and assistance to States and localities for making comprehensive areawide planning and programing effective."

(c) Section 202 of such Act is amended by striking out "metropolitan" each place it appears and inserting in lieu thereof "areawide".

(d) (1) Section 205 of such Act is amended by striking out "metropolitan development" each place it appears and inserting in lieu thereof "areawide development".

(2) Such section is further amended by striking out "metropolitan areas" and "metropolitan area" and inserting in lieu thereof "areas" and "area", respectively.

(3) Such section is further amended by striking out "metropolitanwide" each place it appears, and inserting in lieu thereof "areawide".

(4) Such section is further amended by striking out "metropolitan planning" each place it appears and inserting in lieu thereof "areawide planning".

(5) Such section is further amended by inserting "where appropriate," after "(B)" in subsection (c) (1).

(6) Such section is further amended by striking out "within the metropolitanwide area" in subsection (f).

(e) (1) Paragraphs (1) and (2) of section 208 of such Act are amended by striking out "Metropolitan" and inserting in lieu thereof "Areawide".

(2) Paragraph (7) of such section is amended—

(A) by striking out "or metropolitan or regional" and inserting in lieu thereof ", metropolitan, regional, or district"; and

(B) by striking out "metropolitan" in the parenthetical phrase.

(f) Section 206 (b) of such Act is amended by striking out the second sentence and inserting in lieu thereof the following: "Any amounts appropriated under this section shall remain available until expended, and any amounts authorized for any fiscal year under this section but not appropriated may be appropriated for any succeeding fiscal year commencing prior to July 1, 1970."

ADVANCE ACQUISITION OF LAND

SEC. 603. (a) Section 701 of the Housing and Urban Development Act of 1965 is amended by striking out "in connection with the future construction of public works and facilities" in clause (3) and inserting in lieu thereof "in the future for public purposes".

(b) Section 704 of such Act is amended to read as follows:

"ADVANCE ACQUISITION OF LAND

"SEC. 704. (a) In order to encourage and assist the timely acquisition of land planned to be utilized in the future for public purposes, the Secretary is authorized to make grants to States and local public bodies and agencies to assist in financing the acquisition of a fee simple estate or other interest in such land.

"(b) *The amount of any grant made under this section shall not exceed the aggregate amount of reasonable interest charges on the loans or other financial obligations incurred to finance the acquisition of such land for a period not in excess of the lesser of (1) five years from the date of acquisition of such land or (2) the period of time between the date on which the land was acquired and the date its use began for the purpose for which it was acquired: Provided, That where all or any portion of the cost of such land is not financed through borrowings, the amount of the grant shall be computed on the basis of the aggregate amount of reasonable interest charges that the Secretary determines would have been required.*

"(c) *No grant shall be made under this section unless the Secretary determines that the land will be utilized for a public purpose within a reasonable period of time and that such utilization will contribute to economy, efficiency, and the comprehensively planned development of the area. The Secretary shall in all cases require that land acquired with the assistance of a grant under this section be utilized for a public purpose within five years after the date on which a contract to make such grant is entered into, unless the Secretary (1) determines that due to unusual circumstances a longer period of time is necessary and in the public interest, and (2) reports such determination promptly to the Committees on Banking and Currency of the Senate and House of Representatives.*

"(d) *No land acquired with assistance under this section shall, without approval of the Secretary, be diverted from the purpose originally approved. The Secretary shall approve no such diversion unless he finds that the diversion is in accord with the then applicable comprehensive plan for the area. In cases of a diversion of land to other than a public purpose, the Secretary may require repayment of the grant, or substitution of land of approximately equal fair market value, whichever he deems appropriate. An interim use of the land for a public or private purpose in accordance with standards prescribed by the Secretary, or approved by him, shall not constitute a diversion within the meaning of this subsection.*

"(e) *Notwithstanding any other provision of law, no project for which land is acquired with assistance under this section shall, solely as a result of such advance acquisition, be considered ineligible for the purpose of any other Federal loan or grant program, and the amount of the purchase price paid for the land by the recipient of a grant under this section may be considered an eligible cost for the purpose of such other Federal loan or grant program.*"

WATER AND SEWER FACILITIES PROGRAM

SEC. 604. (a) *Section 702(c) of the Housing and Urban Development Act of 1965 is amended by striking out "July 1, 1968" and inserting in lieu thereof "October 1, 1969".*

(1) by striking out "a basic public sewer facility" and inserting in lieu thereof "a basic public water or sewer facility"; and

(2) by striking out "a public or other adequate sewer facility" and inserting in lieu thereof "a public or other adequate water or sewer facility".

(c) *Section 702 of such Act is amended by adding at the end thereof a new subsection as follows:*

"(d) *In the administration of this section the Secretary shall require that, to the greatest extent practicable, new job opportunities be provided for unemployed or underemployed persons in connection with projects the financing of which is assisted under this section.*"

AUTHORIZATIONS FOR THE WATER AND SEWER FACILITIES, NEIGHBORHOOD FACILITIES, AND ADVANCE ACQUISITION OF LAND PROGRAMS

SEC. 605. (a) Section 708(b) of the Housing and Urban Development Act of 1965 is amended by striking out "July 1, 1969" and inserting in lieu thereof "July 1, 1970".

(b) Section 708(a) of such Act is amended—

(1) by striking out "$200,000,000 for grants under section 702" and inserting in lieu thereof "$200,000,000 (or $350,000,000 in the case of the fiscal year commencing July 1, 1968) for grants under section 702"; and

(2) by adding at the end thereof the following new sentence: "In addition, there is authorized to be appropriated for grants under section 702 not to exceed $115,000,000 for the fiscal year commending July 1, 1969."

OPEN-SPACE LAND PROGRAM

SEC. 606. (a) Section 702(b) of the Housing Act of 1961 is amended to read as follows:

"(b) *There are authorized to be appropriated, for the purpose of making grants under this title, not to exceed $310,000,000 prior to July 1, 1969, and not to exceed $460,000,000 prior to July 1, 1970. Any amounts appropriated under this section shall remain available until expended.*"

(b) Section 708(b) of such Act is amended by striking out "$50,000" and inserting in lieu thereof "$125,000".

AUTHORIZATION TO MAKE FEASIBILITY STUDIES IN THE PUBLIC WORKS PLANNING ADVANCES PROGRAM

SEC. 607. Section 702(a) of the Housing Act of 1954 is amended by inserting after "to aid in financing the cost of" the following: "feasibility studies,".

TITLE VII—URBAN MASS TRANSPORTATION

GRANT AUTHORIZATIONS

SEC. 701. (a) Section 4(b) of the Urban Mass Transportation Act of 1964 is amended (1) by striking out the word "and" where it first appears in the first sentence, and (2) by inserting before the period at the end of the first sentence "; and $190,000,000 for fiscal year 1970".

(b) Section 6(c) of such Act is amended (1) by striking out "$50,000,000" and inserting in lieu thereof "$56,000,000", and (2) by inserting at the end thereof the following: "On or after July 1, 1969, the Secretary may make available to finance projects under this section such additional sums out of the grant authorization provided in section 4(b) as he deems appropriate."

DEFINITION OF MASS TRANSPORTATION

SEC. 702. Section 12(c)(5) of the Urban Mass Transportation Act of 1964 is amended to read as follows:

"(5) the term 'mass transportation' means transportation by bus, rail, or other conveyance, either publicly or privately owned, which provides to the public general or special service (but not including school buses or charter or sightseeing service) on a regular and continuing basis."

EXTENSION OF EMERGENCY PROGRAM UNDER THE URBAN MASS TRANSPORTATION ACT

SEC. 703. Section 5 of the Urban Mass Transportation Act of 1964 is amended by striking out "November 1, 1968" and inserting in lieu thereof "July 1, 1970".

NON-FEDERAL SHARE OF NET PROJECT COST

SEC. 704. (a) Section 4(a) of the Urban Mass Transportation Act of 1964 is amended by striking out the last sentence and inserting in lieu thereof of following: "The remainder of the net project cost shall be provided, in cash, from sources other than Federal funds. Not more than 50 per centum of such remainder may be provided from other than public sources, and any public or private transit system funds shall be provided solely from undistributed cash surpluses, replacement or depreciation funds or reserves available in cash, or new capital; except that in cases of demonstrated fiscal inability of an applicant actively engaged in preparing and effectuating a program for a unified or officially coordinated urban transportation system as part of the comprehensively planned development of the urban area, such remainder may be provided from other than public sources. No refund or reduction of the remainder of the net project cost shall be made at any time unless there is at the same time a refund of a proportional amount of the Federal grant."

(b) Section 5 of such Act is amended by striking out the last sentence and inserting in lieu thereof the following: "The remainder of the net project cost shall be provided, in cash, from sources other than Federal funds. Not more than 50 per centum of such remainder may be provided from other than public sources, and any public or private transit system funds shall be provided solely from undistributed cash surpluses, replacement or depreciation funds or reserves available in cash, or new capital; except that in cases of demonstrated fiscal inability of an applicant actively engaged in preparing and effectuating a program for a unified or officially coordinated urban transportation system as part of the comprehensively planned development of the urban area, such remainder may be provided from other than public sources. No refund or reduction of the remainder of the net project cost shall be made at any time unless there is at the same time a refund of a proportional amount of the Federal grant."

TITLE VIII—SECONDARY MORTGAGE MARKET

PURPOSES

SEC. 801. The purposes of this title include the partition of the Federal National Mortgage Association as heretofore existing into two

separate and distinct corporations, each of which shall have continuity and corporate succession as a separated portion of the previously existing corporation. One of such corporations, to be known as Federal Natinal Mortgage Association, will be a Government-sponsored private corporation, will retain the assets and liabilities of the previously existing corporation accounted for under section 304 of the Federal National Mortgage Association Charter Act, and will continue to operate the secondary market operations authorized by such section 304. The other, to be known as Government National Mortgage Association, will remain in the Government, will retain the assets and liabilities of the previously existing corporation accounted for under sections 305 and 306 of such Act, and will continue to operate the special assistance functions and management and liquidating functions authorized by such sections 305 and 306.

AMENDMENTS TO THE FEDERAL NATIONAL MORTGAGE ASSOCIATION CHARTER ACT

SEC. 802. (a) The heading of title III of the National Housing Act is amended by striking out "FEDERAL NATIONAL MORTGAGE ASSOCIATION" and inserting in lieu thereof "NATIONAL MORTGAGE ASSOCIATIONS".

(b) Section 301 of such Act is amended—

(1) by striking out "in the Federal Government a";

(2) by striking out "facility for" and inserting in lieu thereof "facilities for";

(3) by striking out "of such facility" and inserting in lieu thereof "thereof";

(4) by striking out "facility to" and inserting in lieu thereof "facilities to"; and

(5) by striking out "the existing mortgage portfolio of the Federal National Mortgage Association" and inserting in lieu thereof "federally owned mortgage portfolios".

(c) Section 302(a) of such Act is amended—

(1) by inserting "(1)" immediately following "(a)";

(2) by striking out "(hereinafter referred to as the 'Association')"; and

(3) by adding at the end thereof the following new paragraph:

"(2) On the effective date established pursuant to section 808 of the Housing and Urban Development Act of 1968, the body corporate described in the foregoing paragraph shall cease to exist in that form and is hereby partitioned into two separate and distinct bodies corporate, each of which shall have continuity and corporate succession as a separated portion of the previously existing body corporate, as follows:

"(A) One of such separated portions shall be a body corporate without capital stock to be known as Government National Mortgage Association (hereinafter referred to as the 'Association'), which shall be in the Department of Housing and Urban Development and which shall retain the assets and liabilities acquired and incurred under sections 305 and 306 prior to such effective date, including any and all liabilities incurred pursuant to section 302(c). The Association shall have succession until dissolved by Act of Congress. It shall maintain its principal office in the District of Columbia and shall be deemed, for purposes of venue

in civil actions, to be a resident thereof. Agencies or offices may be established by the Association in such other place or places as it may deem necessary or appropriate in the conduct of its business.

"(B) The other such separated portion shall be a body corporate to be known as Federal National Mortgage Association (hereinafter referred to as the 'corporation'), which shall retain the assets and liabilities acquired and incurred under sections 303 and 304 prior to such effective date. The corporation shall have succession until dissolved by Act of Congress. It shall maintain its principal office in the District of Columbia and shall be deemed, for purposes of venue in civil actions, to be a resident thereof."

(d) Section 302(b) of such Act is amended—

(1) by striking out "the Association is authorized" and inserting in lieu thereof "each of the bodies corporate named in subsection (a)(2) is authorized";

(2) by striking out "lend (under section 304) on the security of,";

(3) by inserting immediately before the colon in the first sentence "; and the corporation is authorized to lend on the security of any such mortgages and to purchase, sell, or otherwise deal in any securities guaranteed by the Association under section 306(g)"; and

(4) by striking out "no mortgage may be purchased" and inserting in lieu thereof "the Association may not purchase any mortgage".

(e) Section 302(c)(1) of such Act is amended by striking out ", consistent with section 307,".

(f) Section 302(c)(2)(C) of such Act is amended to read as follows:

"(C) The Department of Housing and Urban Development."

(g) Section 302(c)(2) of such Act is amended by striking out "incurred by the Federal National Mortgage" and inserting in lieu thereof "incurred by the".

(h) The heading of section 303 of such Act is amended to read as follows: "CAPITALIZATION—FEDERAL NATIONAL MORTGAGE ASSOCIATION".

(i) Section 303(a) of such Act is amended—

(1) by striking out "nonvoting common stock" and inserting in lieu thereof "common stock, without par value, which shall be vested with all voting rights, each share being entitled to one vote with rights of cumulative voting at all elections of directors";

(2) by striking out "nonvoting preferred stock" and inserting in lieu thereof "nonvoting preferred stock, with a par value of $100 per share,";

(3) by striking out the second and third sentences thereof and inserting in lieu thereof "The free transferability of the common stock at all times to any person, firm, corporation, or other entity shall not be restricted except that, as to the corporation, it shall be transferable only on the books of the corporation.";

(4) by striking out "of the capital surplus and the general surplus accounts";

(5) by striking out "retire" and inserting in lieu thereof "retire, at par,"; and

(6) by striking out "the Association shall deem feasible" and inserting in lieu thereof "possible subsequent to the effective date established pursuant to section 808 of the Housing and Urban Development Act of 1968".

(j) Section 303(b) of such Act is amended—

(1) by striking out "for its services" and inserting in lieu thereof ", which may be regarded as elements of pricing,"; and

(2) by striking out the last sentence.

(k) Section 303(c) of such Act is amended—

(1) by striking out "(only in denominations of $100 or multiples thereof)";

(2) by inserting immediately after the first sentence the following: "In addition to the shares of common stock issued under the foregoing sentence, the corporation may issue additional shares in return for appropriate payments into capital or capital and surplus. The corporation shall at all times require each servicer of its mortgages to own a minimum amount of common stock of the corporation, measured by its stated value. Such minimum amount shall not exceed 2 per centum, as determined from time to time by the corporation with the approval of the Secretary of Housing and Urban Development, of the aggregate outstanding principal balances of all mortgages of the corporation which have been purchased subsequent to the effective date established pursuant to section 808 of the Housing and Urban Development Act of 1968 and which are then serviced by such servicer for the corporation."; and

(3) by striking out "the general surplus account of the Association shall not be reduced through the payment of dividends applicable to such common stock which exceed in the aggregate 5 per centum of the par value of the outstanding common stock of the Association" and inserting in lieu thereof "the aggregate amount of cash dividends paid on account of any share of such stock shall not exceed any rate which may be determined from time to time by the Secretary of Housing and Urban Development to be a fair rate of return after consideration of the current earnings and capital condition of the corporation".

(l) Section 303(d) of such Act is amended by striking out "$225,000,000" and inserting in lieu thereof "$225,000,000; but no such stock may be issued subsequent to the effective date established pursuant to section 808 of the Housing and Urban Development Act of 1968".

(m) Section 303(f) of such Act is amended by striking out "contributions, and" and inserting in lieu thereof "contributions, to purchase additional shares of such stock, and".

(n) Section 303(g) of such Act is repealed.

(o) The heading of section 304 of such Act is amended to read as follows: "SECONDARY MARKET OPERATIONS—FEDERAL NATIONAL MORTGAGE ASSOCIATION".

(p) Section 304(a)(1) of such Act is amended by striking out "and the Association shall not purchase any mortgage insured or guaranteed prior to the effective date of the Housing Act of 1954".

(q) Section 304(b) of such Act is amended by striking out "earnings and in" and inserting in lieu thereof "earnings unless a greater ratio shall be fixed at any time or from time to time by the Secretary of Housing and Urban Development. In".

(r) Section 304(c) of such Act is amended by striking out "(1) all of the preferred stock of the Association held by the Secretary of the Treasury has been retired, or (2)".

(s) Sections 303 and 304 of such Act, as amended by the foregoing subsections of this section, are further amended—

(1) by striking out "Association" each place it appears and inserting in lieu thereof, in each such place, "corporation"; and

(2) by striking out "Association's" each place it appears and inserting in lieu thereof, in each such place, "corporation's".

(t) The heading of section 305 of such Act is amended to read as follows: "SPECIAL ASSISTANCE FUNCTIONS—GOVERNMENT NATIONAL MORTGAGE ASSOCIATION".

(u) The heading of section 306 of such Act is amended to read as follows: "MANAGEMENT AND LIQUIDATING FUNCTIONS—GOVERNMENT NATIONAL MORTGAGE ASSOCIATION".

(v) Subsections (a) and (b) of section 307 of such Act are repealed.

(w) Section 307 of such Act is further amended—

(1) by striking out "SEC. 307.";

(2) by striking out "(c) All of the benefits and burdens incident to the administration of" and inserting in lieu thereof the following: "SEC. 307. All of the benefits and burdens incident to the administration of"; and

(3) by striking out "board of directors of the Association" and inserting in lieu thereof "Secretary of Housing and Urban Development".

(x) The heading of section 308 of such Act is amended to read as follows: "MANAGEMENT".

(y) Section 308 of such Act is amended—

(1) by inserting "(a)" immediately following "308";

(2) by striking out the first two sentences and inserting in lieu thereof "All the powers and duties of the Government National Mortgage Association shall be vested in the Secretary of Housing and Urban Development and the Association shall be administered under the direction of the Secretary.";

(3) by striking out "the board shall determine" and inserting in lieu thereof "the Secretary shall determine";

(4) by striking out "Association. The chairman of the board" and inserting in lieu thereof "Association, and shall have power to adopt, amend, and repeal bylaws governing the performance of the powers and duties granted to or imposed upon it by law. The Secretary";

(5) by striking out "by the board of directors," and inserting in lieu thereof "by the Secretary,";

(6) by striking out the last sentence; and

(7) by adding at the end thereof the following new subsection:

"(b) The Federal National Mortgage Association shall have a board of directors which shall consist of fifteen persons, one-third of whom shall be appointed annually by the President of the United States, and the remainder of whom shall be elected annually by the common stockholders. The board shall at all times have as members appointed by the President at least one person from the homebuilding industry, at least one person from the mortgage lending industry, and at least one person from the real estate industry. Each member of the board of directors shall be appointed or elected for a term ending on the date of the next annual meeting of the stockholders, except that any such member may be removed from office by the President for good cause. Any elective seat on the board which becomes vacant after the annual election of the directors shall be filled by the board, but only for the unexpired portion of the term. Any appointive seat which becomes vacant shall be filled by appointment of the President, but only for the unexpired portion of the term. Within the limitations of law and regulation, the board shall determine the general policies which shall govern the

operations of the corporation, and shall have power to adopt, amend, and repeal bylaws governing the performance of the powers and duties granted to or imposed upon it by law. The board of directors shall select and effect the appointment of qualified persons to fill the offices of president and vice president, and such other offices as may be provided for in the bylaws. Any member of the board who is a full-time officer or employee of the Federal Government shall not, as such member, receive compensation for his services."

(z) Section 309(a) of such Act is amended—

(1) by striking out "The Association" and inserting in lieu thereof "Each of the bodies corporate named in section 302(a)(2)";

(2) by striking out "by its board of directors, to adopt, amend, and repeal bylaws governing the performance of the powers and duties granted to or imposed upon it by law;";

(3) by striking out "conduct its business" and inserting in lieu thereof "conduct its business without regard to any qualification or similar statute";

(4) by striking out "the Association may deem" and inserting in lieu thereof "it may deem"; and

(5) by striking out "the purposes of the Association" and inserting in lieu thereof "its purposes".

(aa) Section 309(c) of such Act is amended—

(1) by striking out "(1)";

(2) by striking out "The Association" and inserting in lieu thereof "(1) The Association";

(3) by striking out ", and (2) the Association shall, with respect to its secondary market operations under section 304 after the cutoff date referred to in section 303(d) of this title, pay annually to the Secretary of the Treasury, for covering into miscellaneous receipts, an amount equivalent to the amount of Federal income taxes for which it would be subject if it were not exempt from such taxes with respect to such secondary market operations"; and

(4) by adding at the end thereof the following new paragraph:

"(2) The corporation, including its franchise, capital, reserves, surplus, mortgages or other security holdings, and income, shall be exempt from all taxation now or hereafter imposed by any State, territory, possession, Commonwealth, or dependency of the United States, or by the District of Columbia, or by any county, municipality, or local taxing authority, except that any real property of the corporation shall be subject to State, territorial, county, municipal, or local taxation to the same extent as other real property is taxed."

(bb) Section 309(d) of such Act is amended—

(1) by inserting "(1)" immediately following "(d)";

(2) by striking out "Chairman of the Board" and inserting in lieu thereof "Secretary of Housing and Urban Development";

(3) by striking out "agents," and inserting in lieu thereof "agents of the Association,"; and

(4) by adding at the end thereof the following new paragraph:

"(2) The board of directors of the corporation shall have the power to select and appoint or employ such officers, attorneys, employees, and agents, to vest them with such powers and duties, and to fix and to cause the corporation to pay such compensation to them for their services, as it may determine; and any such action shall be without regard to the Federal civil service and classification laws. Appointments, promotions, and

separations so made shall be based on merit and efficiency, and no political tests or qualifications shall be permitted or given consideration. Each officer and employee of the corporation who is employed by the corporation prior to the termination of the transitional period referred to in section 810(b) of the Housing and Urban Development Act of 1968 and who on the day previous to the beginning of such employment will have been subject to the civil service retirement law (subch. III of ch. 83 of title 5, United States Code) shall, so long as his employment by the corporation continues without a break in continuity of service, continue to be subject to such law; and for the purpose of such law his employment by the corporation without a break in continuity of service shall be deemed to be employment by the Government of the United States. The corporation shall contribute to the Civil Service Retirement and Disability Fund a sum as provided by section 8334(a) of title 5, United States Code, except that such sum shall be determined by applying to the total basic pay (as defined in 5 U.S.C. 8331(3) and except as hereinafter provided) paid to the employees of the corporation who are covered by the civil service retirement law, the per centum rate determined annually by the United States Civil Service Commission to be the excess of the total normal cost per centum rate of the civil service retirement system over the employee deduction rate specified in section 8334(a) of title 5, United States Code. The corporation shall also pay into the Civil Service Retirement and Disability Fund such portion of the cost of administration of the fund as is determined by the United States Civil Service Commission to be attributable to its employees. Notwithstanding the foregoing provisions, there shall not be considered for the purposes of the civil service retirement law that portion of the basic pay in any one year of any officer or employee of the corporation which exceeds the basic pay provided for in section 5312 of title 5, United States Code, on the last day of such year. Except as provided in this subsection, the corporation shall not be subject to the provisions of title 5, United States Code."

(cc) Section 309(e) of such Act is amended—

(1) by striking out "body corporate created by section 302" and inserting in lieu thereof "bodies corporate named in section 302(a)(2)";

(2) by inserting ", 'Government National Mortgage Association'," immediately following " 'Federal National Mortgage Association' "; and

(3) by striking out the second sentence and inserting in lieu thereof the following: "Violations of the foregoing sentence may be enjoined by any court of general jurisdiction at the suit of the proper body corporate. In any such suit, the plaintiff may recover any actual damages flowing from such violation, and, in addition, shall be entitled to punitive damages (regardless of the existence or nonexistence of actual damages) of not exceeding $100 for each day during which such violation is committed or repeated."

(dd) Section 309(g) of such Act is amended to read as follows:

"(g) The Federal Reserve banks are authorized and directed to act as depositaries, custodians, and fiscal agents for each of the bodies corporate named in section 302(a)(2), for its own account or as fiduciary, and such banks shall be reimbursed for such services in such manner as may be agreed upon; and each of such bodies corporate may itself act in such capacities, for its own account or as fiduciary, and for the account of others."

(ee) Section 309 of such Act is amended by adding at the end thereof the following new subsection:

"(h) The Secretary of Housing and Urban Development shall have general regulatory power over the Federal National Mortgage Association and shall make such rules and regulations as shall be necessary and proper to insure that the purposes of this title are accomplished. No stock, obligation, security, or other instrument shall be issued by the corporation without the prior approval of the Secretary. The Secretary may require that a reasonable portion of the corporation's mortgage purchases be related to the national goal of providing adequate housing for low and moderate income families, but with reasonable economic return to the corporation. The Secretary may examine and audit the books and financial transactions of the corporation, and he may require the corporation to make such reports on its activities as he deems advisable."

(ff) Section 311 of such Act is amended—

(1) by striking out "the Association" and inserting in lieu thereof "either of the bodies corporate named in section 302(a)(2)"; and

(2) by adding at the end thereof the following: "All stock, obligations, securities, participations, or other instruments issued pursuant to this title shall, to the same extent as securities which are direct obligations of or obligations guaranteed as to principal or interest by the United States, be deemed to be exempt securities within the meaning of laws administered by the Securities and Exchange Commission; but all such issuances shall be made only with the approval of the Secretary of Housing and Urban Development."

PARTICIPATIONS

SEC. 803. Section 302(c)(5) of the National Housing Act is amended by inserting at the end thereof the following: "In the event that the insufficiency required by the trustee is on account of principal maturities of outstanding beneficial interests or participations authorized to be issued pursuant to paragraph (4) of this subsection, or pursuant hereto, the trustee is authorized to elect to issue additional beneficial interests or participations for refinancing purposes in lieu of requiring any trustor or trustors to make payments to the trustee from appropriated funds or other sources. Each such issue of beneficial interests or participations shall be in an amount determined by the trustee but not in excess of the aggregate amount which the trustee would otherwise require the trustor or trustors to pay from appropriated funds or other sources, and may be issued without regard to the provisions of paragraph (4) of this subsection. All refinancing issues of beneficial interests or participations shall be deemed to have been issued pursuant to the authority contained in the appropriation Act or Acts under which the beneficial interests or participations were originally issued."

MORTGAGE-BACKED SECURITIES

SEC. 804. (a) Section 304 of the National Housing Act is amended by adding at the end thereof the following new subsection:

"(d) To provide a greater degree of liquidity to the mortgage investment market and an additional means of financing its operations under this section, the corporation is authorized to set aside any mortgages held by it under this section, and, upon approval of the Secre-

tary of the Treasury, to issue and sell securities based upon the mortgages so set aside. Securities issued under this subsection may be in the form of debt obligations or trust certificates of beneficial interest, or both. Securities issued under this subsection shall have such maturities and bear such rate or rates of interest as may be determined by the corporation with the approval of the Secretary of the Treasury. Securities issued by the corporation under this subsection shall, to the same extent as securities which are direct obligations of or obligations guaranteed as to principal and interest by the United States, be deemed to be exempt securities within the meaning of laws administered by the Securities and Exchange Commission. Mortgages set aside pursuant to this subsection shall at all times be adequate to enable the corporation to make timely principal and interest payments on the securities issued and sold pursuant to this subsection."

(b) Section 306 of such Act is amended by adding at the end thereof the following new subsection:

"(g) The Association is authorized, upon such terms and conditions as it may deem appropriate, to guarantee the timely payment of principal of and interest on such trust certificates or other securities as shall (1) be issued by the corporation under section 304(d), or by any other issuer approved for the purposes of this subsection by the Association, and (2) be based on and backed by a trust or pool composed of mortgages which are insured under the National Housing Act or title V of the Housing Act of 1949, or which are insured or guaranteed under the Servicemen's Readjustment Act of 1944 or chapter 37 of title 38, United States Code. The Association shall collect from the issuer a reasonable fee for any guaranty under this subsection and shall make such charges as it may determine to be reasonable for the analysis of any trust or other security arrangement proposed by the issuer. In the event the issuer is unable to make any payment of principal of or interest on any security guaranteed under this subsection, the Association shall make such payment as and when due in cash, and thereupon shall be subrogated fully to the rights satisfied by such payment. Any Federal, State, or other law to the contrary notwithstanding, the Association is hereby empowered, in connection with any guaranty under this subsection, whether before or after any default, to provide by contract with the issuer for the extinguishment, upon default by the issuer, of any redemption, equitable, legal, or other right, title, or interest of the issuer in any mortgage or mortgages constituting the trust or pool against which the guaranteed securities are issued; and with respect to any issue of guaranteed securities, in the event of default and pursuant otherwise to the terms of the contract, the mortgages that constitute such trust or pool shall become the absolute property of the Association subject only to the unsatisfied rights of the holders of the securities based on and backed by such trust or pool. The full faith and credit of the United States is pledged to the payment of all amounts which may be required to be paid under any guaranty under this subsection. There shall be excluded from the total amounts set forth in subsection (c) the amounts of any mortgages acquired by the Association as a result of its operations under this subsection."

(c) Section 5136 of the Revised Statutes (12 U.S.C. 24) is amended by adding at the end thereof the following:

"Ninth. To issue and sell securities which are guaranteed pursuant to section 306(g) of the National Housing Act."

(d) The first proviso of section 21(a)(1) of the Banking Act of 1933 (12 U.S.C. 378(a)(1)) is amended by inserting ", or issuing securities," immediately following "investment securities".

(e) Section 5(c) of the Home Owners' Loan Act of 1933 (12 U.S.C. 1464(c)) is amended by adding at the end thereof a new paragraph as follows:

"Any such association may issue and sell securities which are guaranteed pursuant to section 306(g) of the National Housing Act."

SUBORDINATED AND CONVERTIBLE OBLIGATIONS

SEC. 805. Section 304 of the National Housing Act is amended by adding thereto (after subsection (d) as added by section 804 of this Act) the following new subsection:

"(e) For the purposes of this section, the corporation is authorized to issue, upon the approval of the Secretary of the Treasury, obligations which are subordinated to any or all other obligations of the corporation, including subsequent obligations. The obligations issued under this subsection shall have such maturities and bear such rate or rates of interest as may be determined by the corporation with the approval of the Secretary of the Treasury and may be made redeemable at the option of the corporation before maturity in such manner as may be stipulated in such obligations. Any of such obligations may be made convertible into shares of common stock in such manner, at such price or prices, and at such time or times as may be stipulated therein. The total principal amount of such subordinated obligations which may be outstanding at any one time shall not exceed two times the sum of (1) the capital of the corporation represented by its outstanding common stock and (2) its surplus and undistributed earnings at such time. The outstanding total principal amount of such obligations, which are entirely subordinated to the obligations of the corporation issued or to be issued under subsection (b), shall be deemed to be capital of the corporation for the purpose of determining the aggregate amount of obligations issued under subsection (b) which may be outstanding at any one time. Obligations issued by the corporation under this subsection shall, to the same extent as securities which are direct obligations of or obligations guaranteed as to principal or interest by the United States, be deemed to be exempt securities within the meaning of laws administered by the Securities and Exchange Commission. The corporation shall insert appropriate language in all of its obligations issued under this subsection clearly indicating that such obligations, together with the interest thereon, are not guaranteed by the United States and do not constitute a debt or obligation of the United States or of any agency or instrumentality thereof other than the corporation. The corporation is authorized to purchase in the open market any of its obligations outstanding under this subsection at any time and at any price."

SPECIAL ASSISTANCE AUTHORIZATION

SEC. 806. Section 305(c) of the National Housing Act is amended—

(1) by striking out "and" after "July 1, 1967,"; and

(2) by striking out the period and inserting in lieu thereof ", and by $500,000,000 on July 1, 1969."

AMENDMENTS TO OTHER LAWS

SEC. 807. (a) Section 306(b) of the Housing Act of 1959 is amended by striking out "Federal National Mortgage Association pursuant" and inserting in lieu thereof "Government National Mortgage Association pursuant".

(b) Section 312(d) of the Housing Act of 1964 is amended by striking out "Federal" and inserting in lieu thereof "Government".

(c) Section 5(b) of the Department of Housing and Urban Development Act is amended—

(1) by striking out "The Federal" and inserting in lieu thereof "The Government"; and

(2) by striking out ", and the position of the President of said Association is hereby allocated among the positions referred to in section 7(c) hereof".

(d) Section 7(b) of the Department of Housing and Urban Development Act is repealed.

(e) Section 101 of the Government Corporation Control Act is amended by striking out "Federal National Mortgage Association" and inserting in lieu thereof "Government National Mortgage Association".

(f) Section 13(4)(F) of the Public Buildings Act of 1959 is amended by striking out "Federal" and inserting in lieu thereof "Government".

(g) Section 6(b) of the Participation Sales Act of 1966 is amended by striking out "secondary market operations carried on by the Federal" and inserting in lieu thereof "the Government".

(h) Section 1820(e) of title 38, United States Code, is amended by striking out "Federal National" in three places and inserting in lieu thereof, in each such place, "Government National".

(i) Section 709 of title 18, United States Code, is amended by striking out "Federal National Mortgage Association" each place it appears and inserting in lieu thereof, in each such place, "Government National Mortgage Association".

(j) Section 5136 of the Revised Statutes is amended by inserting "or the Government National Mortgage Association" immediately following "Federal National Mortgage Association".

(k) Section 11(h) of the Federal Home Loan Bank Act is amended by inserting "or the Government National Mortgage Association, in the stock of the Federal National Mortgage Association" immediately following "Federal National Mortgage Association".

(l) Section 16 of the Federal Home Loan Bank Act is amended by inserting "or the Government National Mortgage Association" immediately following "Federal National Mortgage Association".

(m) Section 5(c) of the Home Owners' Loan Act of 1933 is amended by inserting "or the Government National Mortgage Association," immediately following "Federal National Mortgage Association" and by inserting "or the stock of the Federal National Mortgage Association" immediately after "any other agency of the United States".

(n) Section 8(8)(E) of the Federal Credit Union Act is amended by inserting "or the Government National Mortgage Association" immediately following "Federal National Mortgage Association".

EFFECTIVE DATE

SEC. 808. The amendments made by this title shall be effective from and after a date, no more than one hundred and twenty days following the date of enactment of this Act, as established by the Secretary of Housing and Urban Development. Notice of the establishment of such effective date shall be published in the Federal Register at least thirty days prior thereto.

SAVINGS PROVISIONS

SEC. 809. (a) No cause of action by or against the Federal National Mortgage Association existing prior to the effective date established pursuant to section 808 shall abate by reason of the enactment of this title. Any such cause of action may thereafter be asserted by or against the appropriate corporate body named in section 302(a)(2) of the National Housing Act.

(b) No suit, action, or other proceeding commenced by or against the Federal National Mortgage Association, or any officer thereof in his official capacity, prior to the effective date established pursuant to section 808 shall abate by reason of the enactment of this title. A court may at any time thereafter during the pendency of any such litigation, on its own motion or that of any party, order that the litigation may be maintained by or against the appropriate corporate body named in section 302(a)(2) of the National Housing Act or the appropriate corresponding officer thereof.

TRANSITIONAL PROVISIONS

SEC. 810. (a) On the effective date established pursuant to section 808 of this Act, each share of outstanding nonvoting common stock, with a par value of $100 per share, of the Federal National Mortgage Association shall be changed into and shall become one share of voting common stock, without par value, of such corporation.

(b)(1) The provisions of section 308(b) of the National Housing Act (as added by section 802(y)(7) of this Act) shall be applicable only to the extent that its provisions do not conflict with this subsection.

(2) For a transitional period after the effective date established pursuant to section 808 of this Act, the board of directors of the Federal National Mortgage Association shall consist of nine persons. For a term expiring on the date of the first annual meeting of the corporation's stockholders, all members of the board shall be appointed by the Secretary of Housing and Urban Development. For a term beginning on such date, seven members of the board shall be appointed by the Secretary, and two members shall be elected by the common stockholders. For subsequent terms beginning prior to the termination of the transitional period, five members shall be appointed by the Secretary, and four members shall be elected by the common stockholders. For each term beginning prior to the termination of the transitional period, the Secretary shall appoint as a member of the

board the president of the corporation. During the transitional period, the president of the corporation shall be appointed by the President, by and with the advice and consent of the Senate, and may be removed from office by the President for good cause.

(3) The transitional period referred to in paragraph (2) shall come to an end at such time as the board of directors shall find, with the approval of the Secretary, that not less than one-third of the corporation's common stock is owned by persons or institutions in the mortgage lending, homebuilding, real estate, or related businesses; but in no event shall it end sooner than May 1, 1970, or later than May 1, 1973.

(c) From the effective date established pursuant to section 808 and until the retirement of the last of the outstanding shares of its preferred stock, the Federal National Mortgage Association shall be deemed to be a wholly owned corporation for the purposes of the Government Corporation Control Act. Notwithstanding the foregoing provisions of this paragraph, the financial transactions of the Federal National Mortgage Association shall continue to be subject to audit by the General Accounting Office for such period as there may be outstanding obligations of the Federal National Mortgage Association which are guaranteed as to principal or interest by the Government National Mortgage Association.

(d) Those persons who are the officers and employees of the Federal National Mortgage Association immediately prior to the effective date established pursuant to section 808 shall become the officers and employees of the Government National Mortgage Association on such date. The Federal National Mortgage Association and the Government National Mortgage Association shall provide by contract for the conditions and methods under which and by which the Federal National Mortgage Association during the transitional period may employ those individuals who are employees of the Government National Mortgage Association on such effective date; and may provide by contract for the operation by either of such corporations of any of the functions of the other. The Secretary of Housing and Urban Development shall make every reasonable effort to place in other comparable Federal positions any individuals who are career or career-conditional employees of the Government National Mortgage Association on such effective date and who are subsequently during the transitional period neither employed by the Federal National Mortgage Association nor retained by the Government National Mortgage Association.

TITLE IX—NATIONAL HOUSING PARTNERSHIPS

STATEMENT OF PURPOSE

SEC. 901. The Congress finds that the volume of housing being produced for families and individuals of low or moderate income must be increased to meet the national goal of a decent home and a suitable living environment for every American family, and declares that it is the policy of the United States to encourage the widest possible participation by private enterprise in the provision of housing for low or moderate income families. The Congress has therefore determined that one or more private organizations should be created to encourage maximum participation by private investors in programs and projects to provide low and moderate income housing.

CREATION OF CORPORATIONS

SEC. 902. (a) There is hereby authorized to be created a private corporation for profit (hereinafter in this title referred to as the "corporation"). The corporation will not be an agency or establishment of the United States Government. The corporation shall be subject to the provisions of this title and, to the extent consistent with this title, to the District of Columbia Business Corporation Act (D.C. Code, sec. 29–901 et seq.).

(b) Whenever the President finds it in the national interest to do so, he may cause the creation of an additional corporation or additional corporations to carry out the purposes of this title. All the provisions of this title shall thereupon become applicable to each such corporation, and to the limited partnership formed by it pursuant to section 907.

(c) Nothing in this title shall be construed to preclude private persons from creating other corporations and organizing other partnerships, joint ventures, or associations for the purposes set forth in this title as the purposes of the corporation and the partnership described in section 907.

PROCESS OF ORGANIZATION

SEC. 903. (a) The President of the United States shall appoint, by and with the advice and consent of the Senate, incorporators of the corporation, one of whom shall be designated by the President to serve as chairman. The incorporators shall serve as the initial board of directors until the first annual meeting of stockholders or until their successors are elected and have qualified.

(b) The incorporators shall take whatever actions are necessary or appropriate to establish the corporation, including the filing of articles of incorporation as approved by the President.

(c) The incorporators shall also arrange for an initial offering of shares of stock in the corporation and of interests in the partnership described in section 907 of this title. If the incorporators deem it advisable in order to carry out the purposes of this title, the initial offering may be made upon terms which require the purchase of other securities of the corporation or of interests in such partnership.

DIRECTORS

SEC. 904. The corporation shall have a board of directors (hereinafter in this section referred to as the "board"), consisting of fifteen members. Three members of the board shall be appointed by the President of the United States, by and with the advice and consent of the Senate, effective on the date on which the other members are elected, and for terms of three years or until their successors have been appointed and have qualified, except that the first three members of the board so appointed shall continue in office for terms of one, two, and three years, respectively, and any member so appointed to fill a vacancy shall be appointed only for the unexpired term of the director whom he succeeds. Twelve members of the board shall be elected by the stockholders.

FINANCING THE CORPORATION

SEC. 905. The corporation shall have the power to create and issue the number of shares stated in its articles of incorporation. Such

shares may be divided into one or more classes, any or all of which classes may consist of shares with par value or shares without par value, with such designations, preferences, voting powers, and special or relative rights and such limitations, restrictions, or qualifications thereof as shall be stated in the articles of incorporation. The articles of incorporation may limit or deny the voting power of the shares of any class.

PURPOSES AND POWERS OF THE CORPORATION

SEC. 906. (a) In order to achieve the objectives and carry out the purposes of this title, the corporation is authorized to—

(1) plan, initiate, and carry out, pursuant to Federal programs or otherwise, the building or rehabilitation of housing and related facilities primarily for the benefit of families and individuals of low or moderate income;

(2) buy, own, manage, lease, or otherwise acquire or dispose of property in connection with the developments, projects, or undertakings referred to in paragraph (1); and

(3) provide such funds as may be necessary to accomplish the developments, projects, or undertakings referred to in paragraph (1).

(b) Included in the activities authorized to the corporation for the accomplishment of the purposes indicated in subsection (a) of this section are, among others not specifically named—

(1) to enter into partnerships, limited partnerships, joint ventures, and other associations with individuals, corporations, and private and governmental agencies, organizations, and institutions;

(2) to act as manager or general partner of any such partnership, venture, or association;

(3) to conduct or contract for research and studies related to the development, demonstration, and evaluation of improved techniques and methods of constructing, rehabilitating, and maintaining housing;

(4) to provide technical assistance to nonprofit corporations, limited dividend corporations, and others with respect to the planning, financing, construction, rehabilitation, maintenance, and management of housing for low and moderate income families and individuals;

(5) to make loans or grants including grants of interests in housing and related facilities, to nonprofit corporations, limited dividend corporations, and others, in carrying out its activities under subsection (a) of this section; and

(6) to hire or accept the voluntary services of consultants, experts, advisory boards, and panels to aid the corporation in carrying out the purposes of this title.

(c) To carry out the foregoing purposes and engage in the foregoing activities, the corporation shall have the usual powers conferred upon a stock corporation by the District of Columbia Business Corporation Act.

(d) Nothing in this title shall have the effect of waiving or otherwise affecting the applicability of the provisions of the Davis-Bacon Act (40 U.S.C. 267a—276a–5), or any other law requiring compliance

with labor standards, in the case of any construction to which such provisions would otherwise apply.

NATIONAL HOUSING PARTNERSHIP

SEC. 907. (a) The corporation is authorized to arrange for the formation, as a separate organization, of a limited partnership (hereinafter in this title referred to as the "partnership") under the District of Columbia Uniform Limited Partnership Act (D.C. Code, sec. 41–401 et seq.) for the purpose of engaging in any of the activities authorized for the corporation under section 906 of this title, and to enter into a partnership agreement governing the affairs of such limited partnership.

(b) The partnership shall be subject to the provisions, to the extent consistent with this title, of (1) the District of Columbia Uniform Limited Partnership Act and (2) those provisions of the District of Columbia Uniform Partnership Act (D.C. Code, sec. 41–301 et seq.) made applicable by section 6(2) of that Act (D.C. Code, sec. 41–305(2)). Notwithstanding any inconsistency between the provisions of such Acts, or of any other law, and the provisions of this section, the partnership organized pursuant to this section shall be deemed to have the legal status of a limited partnership.

(c) The partnership is authorized to enter into partnerships, limited partnerships, or joint ventures organized under applicable State or local law for the purpose of engaging in low and moderate income housing developments, projects, or undertakings in particular localities.

(d) The corporation shall be the general partner in the partnership. The capital of the partnership and the contributions of the partners shall be in such amounts and at such times as are set forth in or pursuant to the partnership agreement.

(e) The partnership agreement shall include provisions designed to assure that (1) the partnership shall participate in low and moderate income housing developments, projects, or undertakings in a manner designed to encourage the participation therein of local interests, and (2) in any such development, project, or undertaking the partnership shall not subscribe to more than 25 per centum (including equity investments made in services or property) of the aggregate initial equity investment unless, in the judgment of the corporation as general partner, the balance of the required equity investment is not readily obtainable from other responsible investors residing or doing business in the local community.

(f) The partnership agreement may without limitation (1) permit each of the stockholders of the corporation to become a member of the partnership as a limited partner, (2) authorize the inclusion of other limited partners in addition to the stockholders of the corporation, (3) provide that the assignee of the partnership interest of a limited partner of the partnership who is also a stockholder of the corporation may not become a substituted limited partner unless he also acquires the assignor's stock of the corporation, and (4) include provisions requiring that the corporation as a general partner approve the substitution or addition of a member of the partnership.

(g) A corporation which is a limited partner in the partnership shall not become liable as a general partner by reason of the fact that

(1) such corporation is a holder of shares of voting stock of the corporation constituting not more than 5 per centum of the total number of outstanding shares of such stock and exercises any of the rights (including voting rights) of a holder of such shares, and/or (2) a person who is an officer or director of such corporation (or of another corporation which controls or is subject to the control of, or is under common control with, such corporation) is a director of the corporation and performs the duties of that office. The interest of a limited partner in the partnership shall not be treated as a stock interest in the corporation, notwithstanding that such interest of a limited partner may be proportionate to his stock interest in the corporation.

(h) The certificate of the partnership and any amendment thereof required by the District of Columbia Uniform Limited Partnership Act shall be executed and acknowledged by the corporation as member and by each other member of the partnership or his attorney-in-fact duly authorized by power of attorney in writing. The corporation may execute and acknowledge the certificate and any amendment thereof as attorney-in-fact for any member, member to be substituted or added, or assigning member, by whom the certificate or amendment is required to be executed and acknowledged and who has appointed the corporation as such attorney.

REPORT TO CONGRESS AND RECORDS

SEC. 908. (a) The corporation shall submit an annual report to the President for transmittal to the Congress within six months after the end of its fiscal year. The report shall include a comprehensive and detailed report of the operations, activities, and financial condition of the corporation and the partnership under this title.

(b) The accounts of the corporation and of the partnership shall be audited annually in accordance with generally accepted auditing standards by independent certified public accountants or independent licensed public accountants certified or licensed by a regulatory authority of a State or other political subdivision of the United States.

ANTITRUST LAWS

SEC. 909. Nothing contained herein shall affect the applicability of the Federal antitrust laws to the activities of the corporation and the partnership created under this title and of the persons participating therein or in partnerships, limited partnerships, or joint ventures with either of them.

RIGHT TO REPEAL, ALTER, OR AMEND

SEC. 910. The right to repeal, alter, or amend this title at any time is expressly reserved.

AMENDMENT TO BANKING LAWS

SEC. 911. Paragraph "Seventh" of section 5136 of the Revised Statutes (12 U.S.C. 24) is amended by adding at the end thereof the following: "Notwithstanding any other provision in this paragraph, the association may purchase for its own account shares of stock issued by a corporation authorized to be created pursuant to title IX of the Housing and Urban Development Act of 1968, and may make investments in a partnership, limited partnership, or joint venture formed pursuant to section 907(a) or 907(c) of that Act."

TITLE X—RURAL HOUSING

HOUSING FOR LOW AND MODERATE INCOME PERSONS AND FAMILIES

SEC. 1001. Title V of the Housing Act of 1949 is amended by adding at the end thereof the following new section:

"LOANS TO PROVIDE OCCUPANT-OWNED, RENTAL, AND COOPERATIVE HOUSING FOR LOW AND MODERATE INCOME PERSONS AND FAMILIES

"SEC. 521. (a) Notwithstanding the provisions of sections 502, 517(a) and 515, loans to persons of low or moderate income under section 502 or 517(a)(1), and loans under section 515 to provide rental or cooperative housing and related facilities for persons and families of low or moderate income or elderly persons and elderly families, shall bear interest at a rate prescribed by the Secretary at not less than a rate determined annually by the Secretary of the Treasury taking into consideration the current average market yield on outstanding marketable obligations of the United States with remaining periods to maturity comparable to the average maturities of such loans, adjusted to the nearest one-eighth of 1 per centum, less not to exceed the difference between the adjusted rate determined by the Secretary of the Treasury and 1 per centum per annum: Provided, That such a loan may be made only when the Secretary determines that the needs of the applicant for necessary housing cannot be met with financial assistance from other sources including assistance under section 235 or 236 of the National Housing Act: Provided further, That interest on loans under section 502 or 517(a) to victims of natural disasters shall not exceed the rate which would be applicable to such loans under section 502 without regard to this section.

"(b) Housing and related facilities provided with loans described in subsection (a) shall be located in rural areas; and applicants eligible for such loans under section 502 or 517(a)(1), or for occupancy of housing provided with such loans under section 515, shall include otherwise qualified nonrural residents who will become rural residents.

"(c) There shall be reimbursed to the Rural Housing Insurance Fund by annual appropriations the amounts by which nonprincipal payments made from the fund during each fiscal year to the holders of insured loans described in subsection (a) exceed interest due from the borrowers during each year; and the Secretary from time to time may issue notes to the Secretary of the Treasury under section 517(h) to obtain amounts equal to such unreimbursed excess payments, pending the annual reimbursement by appropriation."

HOUSING FOR RURAL TRAINEES

SEC. 1002. Title V of the Housing Act of 1949 is amended by adding after section 521 (as added by section 1001 of this Act) the following new section:

"HOUSING FOR RURAL TRAINEES

SEC. 1002. Title V of the Housing Act of 1949 is amended by adding division thereof, or any public or private nonprofit organization, the Secretary is authorized, after consultation with the Secretary of Labor, the Secretary of Health, Education, and Welfare, the Secretary of Housing and Urban Development, and the Director of the Office of Economic Opportunity, and after the Secretary determines

that the housing and related facilities cannot reasonably be provided in any other way, to provide financial and technical assistance for the establishment, in rural areas, of housing and related facilities for trainees and their families who are residents of a rural area and have a rural background, while such trainees are enrolled and participating in training courses designed to improve their employment capability. The selection of training sites and location of housing shall be made with due regard to the economic viability of the area, and only after consideration of a labor area survey and full coordination among all Government agencies having primary responsibility for administering related programs.

"(b) Housing and related facilities assisted under this section shall be safe and sanitary, constructed in the most economical manner, and of modest design, giving due consideration to the purposes to be served and the needs of the occupants, and may, in the discretion of the Secretary, include mobile family quarters. Design and location shall be such as to facilitate, as feasible, the use of such housing and related facilities for other purposes when no longer needed for the primary purpose.

"(c) The applicant shall contribute the necessary land, or funds to acquire such land, from its own resources, including land acquired by donation or from funds repayable under subsection (e) or borrowed from other sources.

"(d) No financial assistance shall be made available under this section unless, to the extent and for the periods required by the Secretary, the applicant agrees that—

"(1) such housing will be maintained at all times in a safe and sanitary condition in accordance with standards prescribed by State or local law, or, in the absence of such standards, with requirements prescribed by the Secretary;

"(2) priority shall be given at all times, in granting occupancy of such housing and facilities, to the trainees and their families described in subsection (a); and

"(3) rentals charged them shall not exceed amounts approved by the Secretary after considering the portion of the actual total family income which the family can afford to pay for rent while meeting its other immediate needs during occupancy.

"(e) The Secretary may make advances pursuant to any contract for financial assistance under this section at such times and in such manner as may be specified in the contract. Such advances for the purchase of land shall be repayable with interest and within a period not to exceed thirty-three years and may be made upon such security, if any, as the Secretary requires. Advances for other purposes may be made repayable with or without interest or nonrepayable, as determined by the Secretary on the basis of the anticipated income and cost of operation of the housing and related facilities and the ability of each applicant to finance such facilities. Any advances shall be limited to cover the capital costs of constructing such facilities, plus interest on borrowings to cover such costs.

"(f) Should housing and related facilities assisted pursuant to a contract under this section be sold to an ineligible transferee or diverted to a use other than its primary purpose within a period specified in the contract, all advances made under such contract shall be repaid to the Secretary, up to the amount of the sales price or the fair

value of the property as determined by the Secretary, whichever is higher, with interest from the date of the sale or diversion. If no suitable alternate use of the property is available, as determined by the Secretary, after the purpose of this section can no longer be served, the property shall be returned to its original condition by the recipient of the assistance.

"(g) Interest charged on advances made under this section shall be at a rate, prescribed by the Secretary, which shall be not less than a rate determined by the Secretary of the Treasury taking into consideration the current average market yield on outstanding marketable obligations of the United States with remaining periods to maturity comparable to the average maturities of such loans, adjusted to the nearest one-eighth of 1 per centum, less not to exceed the difference between the adjusted rate determined by the Secretary of the Treasury and 1 per centum per annum, as determined by the Secretary.

"(h) The Secretary shall prescribe regulations to insure that Federal funds expended under this section are not wasted or dissipated.

"(i) As used in this section (1) the term 'related facilities' shall include any necessary community rooms or buildings, infirmaries, utilities, access roads, water and sewer services, and the minimum fixed or movable equipment determined by the Secretary to be necessary to make the housing reasonably habitable by trainees and their families; and (2) the term 'trainee' means any person receiving training under any federally assisted training program.

"(j) There are authorized to be appropriated such sums as may be necessary to carry out this section."

APPROPRIATIONS

SEC. 1003. Section 513 of the Housing Act of 1949 is amended—

(1) by striking out "and (e)" and inserting in lieu thereof "(e)"; and

(2) by inserting before the period at the end thereof the following: "; and (f) such sums as may be required by the Secretary to administer the provisions of sections 235 and 236 of the National Housing Act".

PURCHASE OF LAND FOR BUILDING SITES

SEC. 1004. Section 514(f)(2) of the Housing Act of 1949 is amended—

(1) by striking out "and" before "(B)", and

(2) by inserting before the semicolon at the end thereof the following: "and (C) land necessary for an adequate site".

MUTUAL AND SELF-HELP HOUSING

SEC. 1005. Title V of the Housing Act of 1949 is amended by adding after section 522 (as added by section 1002 of this Act) the following new section:

"MUTUAL AND SELF-HELP HOUSING

"SEC. 523. (a) The purposes of this section are (1) to make financial assistance available on reasonable terms and conditions in rural areas and small towns to needy low-income individuals and their families

who, with the benefit of technical assistance and overall guidance and supervision, particiate in approved programs of mutual or self-help housing by acquiring and developing necessary land, acquiring building materials, providing their own labor, and working cooperatively with others for the provision of decent, safe, and sanitary dwellings for themselves, their families, and others in the area or town involved, and (2) to facilitate the efforts of both public and private nonprofit organizations providing assistance to such individuals to contribute their technical and supervisory skills toward more effective and comprehensive programs of mutual or self-help housing in rural areas and small towns wherever necessary.

"(b) In order to carry out the purposes of this section, the Secretary of Agriculture (in this section referred to as the 'Secretary') is authorized—

"(1) (A) to make grants to, or contract with, public or private nonprofit corporations, agencies, institutions, organizations, and other associations approved by him, to pay part or all of the costs of developing, conducting, administering, or coordinating effective and comprehensive programs of technical and supervisory assistance which will aid needy low-income individuals and their families in carrying out mutual or self-help housing efforts; and

"(B) to establish the Self-Help Housing Land Development Fund, referred to herein as the Self-Help Fund, to be used by the Secretary as a revolving fund for making loans, on such terms and conditions and in such amounts as he deems necessary, to public or private nonprofit organizations for the acquisition and development of land as building sites to be subdivided and sold to families, nonprofit organizations, and cooperatives eligible for assistance under section 235 or 236 of the National Housing Act or section 521 of this Act. Such a loan, with interest at a rate not to exceed 3 percent per annum, shall be repaid within a period not to exceed two years from the making of the loan, or within such additional period as may be authorized by the Secretary in any case as being necessary to carry out the purposes hereof; and

"(2) to make loans, on such terms and conditions and in such amounts as he deems necessary, to needy low-income individuals participating in programs of mutual or self-help housing approved by him, for the acquisition and development of land and for the purchase of such other building materials as may be necessary in order to enable them, by providing substantially all of their own labor, and by cooperating with others participating in such programs, to carry out to completion the construction of decent, safe, and sanitary dwellings for such individuals and their families, subject to the following limitations:

"(A) there is reasonable assurance of repayment of the loan;

"(B) the amount of the loan, together with other funds which may be available, is adequate to achieve the purpose for which the loan is made;

"(C) the credit assistance is not otherwise available on like terms or conditions from private sources or through other Federal, State, or local programs;

"(D) the loan bears interest at a rate not to exceed 3 per centum per annum on the unpaid balance of principal, plus

such additional charge, if any, toward covering other costs of the loan program as the Secretary may determine to be consistent with its purposes; and

"(E) the loan is repayable within not more than thirty-three years.

"(c) In determining whether to extend financial assistance under paragraph (1) or (2) of subsection (b), the Secretary shall take into consideration, among other factors, the suitability of the area within which construction will be carried out to the type of dwelling which can be provided under mutual or self-help housing programs, the extent to which the assistance will facilitate the provision of more decent, safe, and sanitary housing conditions than presently exist in the area, the extent to which the assistance will be utilized efficiently and expeditiously, the extent to which the assistance will effect an increase in the standard of living of low-income individuals participating in the mutual or self-help housing program, and whether the assistance will fulfill a need in the area which is not otherwise being met through other programs, including those carried out by other Federal, State, or local agencies.

"(d) As used in this section, the term 'construction' includes the erection of new dwellings, and the rehabilitation, alteration, conversion, or improvement of existing structures.

"(e) The Secretary is authorized to establish appropriate criteria and procedures in order to determine the eligibility of applicants for the financial assistance provided under this section, including criteria and procedures with respect to the periodic review of any construction carried out with such financial assistance.

"(f) There are hereby authorized to be appropriated for each fiscal year commencing after June 30, 1968, and ending prior to July 1, 1973, such sums, not in excess of $5,000,000 for any such fiscal year, as may be necessary to carry out the provisions of this section. No grant or loan may be made or contract entered into under the authority of this section after June 30, 1973, except pursuant to a commitment or other obligation entered into pursuant to this section before that date.

"(g) There are hereby authorized to be appropriated for the purposes of subsection (b) (1) (B) not to exceed $1,000,000 for the fiscal year ending June 30, 1969, and not to exceed $2,000,000 for the fiscal year ending June 30, 1970. Any amount so authorized to be appropriated for any fiscal year which is not appropriated may be appropriated for any succeeding fiscal year or years. Amounts appropriated under this subsection shall be deposited in the Self-Help Fund, which shall be available without fiscal year limitation for making loans under subsection (b) (1) (B). Instruments and property acquired by the Secretary in or as a result of making such loans shall be assets of the Self-Help Fund. Sums received from the repayment of such loans shall be deposited in and be a part of the Self-Help Fund."

TITLE XI—URBAN PROPERTY PROTECTION AND REINSURANCE

SHORT TITLE

SEC. 1101. This title may be cited as the "Urban Property Protection and Reinsurance Act of 1968."

FINDINGS AND DECLARATION OF PURPOSE

SEC. 1102. (a) The Congress finds that (1) the vitality of many American cities is being threatened by the deterioration of their inner city areas; responsible owners of well-maintained residential, business, and other properties in many of these areas are unable to obtain adequate property insurance coverage against fire, crime, and other perils; the lack of such insurance coverage accelerates the deterioration of these areas by discouraging private investment and restricting the availability of credit to repair and improve property therein; and this deterioration poses a serious threat to the national economy; (2) recent riots and other civil commotion in many American cities have brought about abnormally high losses to the private property insurance industry for which adequate reinsurance cannot be obtained at reasonable cost, and the risk of such losses will make most lines of property insurance even more difficult to obtain; (3) the capacity of the private property insurance industry to provide adequate insurance is threatened, and the continuity of such property insurance protection is essential to the extension of credit in these areas; and (4) the national interest demands urgent action by the Congress to assure that essential lines of property insurance, including lines providing protection against riot and civil commotion damage will be available to property owners at reasonable cost.

(b) The purposes of this title are, therefore, to (1) encourage and assist the various State insurance authorities and the property insurance industry to develop and carry out statewide programs which will make necessary property insurance coverage against the fire, crime, and other perils more readily available for residential, business, and other properties meeting reasonable underwriting standards; and (2) provide a Federal program of reinsurance against abnormally high property insurance losses resulting from riots and other civil commotion, placing appropriate financial responsibility upon the States to share in such losses.

AMENDMENT OF THE NATIONAL HOUSING ACT

SEC. 1103. The National Housing Act is amended by adding at the end thereof the following new title:

"TITLE XII—NATIONAL INSURANCE DEVELOPMENT PROGRAM

"PROGRAM AUTHORITY

"SEC. 1201. (a) The Secretary is authorized to establish and carry out the programs provided for in parts A, B, and C of this title.

"(b)(1) The powers of the Secretary under this title shall terminate on April 30, 1973, except to the extent necessary—

"(A) to continue reinsurance in accordance with the provisions of section 1223(b) until April 30, 1976;

"(B) to process, verify, and pay claims for reinsured losses and perform other necessary functions in connection therewith; and

"(C) to complete the liquidation and termination of the reinsurance program.

"(2) On April 30, 1976, or as soon thereafter as possible, the Secretary shall submit to the Congress, for its approval, a plan for the liquidation and termination of the reinsurance program.

"ADVISORY BOARD; MEETINGS, DUTIES, COMPENSATION, AND EXPENSES

"SEC. 1202. (a)(1) *There is established an Advisory Board (hereinafter called the 'Board') consisting of nineteen members appointed by the Secretary. Members of the Board shall be selected from among representatives of the general public, the insurance industry, State and local governments including State insurance authorities, and the Federal Government. Of these members of the Board, not more than six shall be regular full-time employees of the Federal Government, and not less than four shall be representatives of the private insurance industry and not less than four shall be representatives of State insurance authorities.*

"(2) *The Secretary shall designate a Chairman and a Vice Chairman of the Board.*

"(3) *Each member shall serve for a term of two years or until his successor has been appointed, except that no person who is appointed while a full-time employee of a State or the Federal Government shall serve in such position after he ceases to be so employed, unless he is reappointed.*

"(4) *Any member appointed to fill a vacancy occurring prior to the expiration of the term for which his predecessor was appointed shall be appointed for the remainder of that term.*

"(b) *The Chairman shall preside at all meetings, and the Vice Chairman shall preside in the absence or disability of the Chairman. In the absence of both the Chairman and Vice Chairman, the Secretary may appoint any member to act as Chairman pro tempore. The Board shall meet at such times and places as it or the Secretary may fix and determine, but shall hold at least four regularly scheduled meetings a year. Special meetings may be held at the call of the Chairman or any three members of the Board, or at the call of the Secretary.*

"(c) *The Board shall review general policies and shall advise the Secretary with respect thereto, and perform such other functions as are specified in this title.*

"(d) *The members of the Board shall not, by reason of such membership, be deemed to be employees of the United States, and such members, except those who are regular full-time employees of the Government, shall receive for their services, as members, the per diem equivalent to the rate for grade GS–18 of the General Schedule under section 5332 of title 5, United States Code, when engaged in the performance of their duties, and each member of the Board shall be allowed travel expenses, including per diem in lieu of subsistence, as authorized by section 5703 of such title for persons in the Government service employed intermittently.*

"DEFINITIONS

"SEC. 1203. (a) *When used in this title, unless the context otherwise requires, the term—*

"(1) *'environmental hazard' means any hazardous condition that might give rise to loss under an insurance contract, but which is beyond the control of the property owner;*

"(2) *'essential property insurance' means insurance against direct loss to property as defined and limited in standard fire policies and extended coverage endorsement thereon, as approved by the*

State insurance authority, and insurance for such types, classes, and locations of property against the perils of vandalism, malicious mischief, burglary, or theft, as the Secretary by rule shall designate. Such insurance shall not include automobile insurance and shall not include insurance on such types of manufacturing risks as may be excluded by the State insurance authority;

"(3) 'inspection facility', with respect to any State, means any rating bureau or other person designated by the State insurance authority to perform inspections under fair access to insurance requirements plans under part A;

"(4) 'insurer' includes any insurance company or group of companies under common ownership which is authorized to engage in the insurance business under the laws of any State;

"(5) 'pool' means any pool or association of insurance companies in any State which is formed, associated, or otherwise created for the purpose of making property insurance more readily available;

"(6) 'losses resulting from riots or civil disorders' means losses resulting from riots or civil disorders under policies for standard lines of property insurance for which reinsurance is offered under section 1221, as determined under regulations of the Secretary;

"(7) 'property owner', with respect to any real, personal, or mixed real and personal property, means any person having an insurable interest in such property;

"(8) 'person' includes any individual or group of individuals, corporation, partnership, or association, or any other organized group of persons;

"(9) 'reinsured losses' means losses on reinsurance claims and all direct expenses incurred in connection therewith including, but not limited to, expenses for processing, verifying, and paying such losses;

"(10) 'standard line of property insurance' includes—

"(A) fire and extended coverage;

"(B) vandalism and malicious mischief;

"(C) other allied lines of fire insurance;

"(D) burglary and theft;

"(E) those portions of multiple peril policies covering perils similar to those provided for in subparagraphs (A), (B), (C), and (D);

"(F) inland marine;

"(G) glass;

"(H) boiler and machinery;

"(I) ocean marine;

"(J) aircraft physical damage; and

"(K) such other lines generally offered to the public which include protection against damage from riot or civil commotion as the Secretary by regulation may designate;

"(11) 'State' means the several States, the District of Columbia, the Commonwealth of Puerto Rico, the territories and possessions, and the Trust Territory of the Pacific Islands.

"(12) 'urban area' includes any municipality or other political subdivision of a State, subject to population or other limitations defined in rules and regulations of the Secretary and such addi-

tional areas as may be designated by the State insurance authority; and

"(13) 'year' means a calendar year, fiscal year of a company, or such other period of twelve months as may be designated by the Secretary.

"(b) The Secretary is authorized to define, by rules and regulations, any technical or trade term, insofar as such definition is not inconsistent with the provisions of this title.

"PART A—STATEWIDE PLANS TO ASSURE FAIR ACCESS TO INSURANCE REQUIREMENTS

"FAIR PLANS

"SEC. 1211. (a) Each insurer reinsured under this title shall cooperate with the State insurance authority in each State in which it is to acquire such reinsurance in establishing and carrying out statewide plans to assure fair access to insurance requirements (FAIR plans).

"(b) Such plans must be approved by, and administered under the supervision of, the State insurance authority, or be authorized or required by State law, and shall be designed to make essential property insurance more readily available in, but not necessarily limited to, urban areas. Such plans may vary in detail from State to State because of local conditions, but all plans shall contain provision that—

"(1) no risk shall be written at surcharged rates or be denied insurance coverage for essential property insurance unless there has first been an inspection of the risk, without cost to the owner, by an inspection facility and a determination by the insurer, based on information in the inspection report and other sources, that the risk does not meet reasonable underwriting standards at the applicable premium rate;

"(2) inspections under the plan may be requested by the property owner or his representative, the insurer, or the insurance agent, broker or other producer, and such requests need not be made in writing;

"(3) the absence of a building owner or his representative during an inspection shall not preclude a tenant seeking insurance from obtaining an inspection under the plan;

"(4) following the inspection, a copy of the inspection report shall be promptly sent by the inspection facility to the insurer or insurers, or to an all-industry placement facility referred to under section 1212, as may be designated by the person requesting the inspection;

"(5) after the inspection report is received by an insurer, it shall promptly determine if the risk meets reasonable underwriting standards at the applicable premium rate, and shall promptly return to the inspection facility the inspection report and provide an action report setting forth—

"(A) (i) the amount of coverage it agrees to write; and if the insurer agrees to write the coverage with a surcharge (if such a surcharge is authorized by the State insurance authority), the improvements necessary before it will provide coverage at an unsurcharged premium rate; and

"(*ii*) *the amount of coverage it agrees to write if certain improvements specified in the action report are made; or*

"(*B*) *the specific reasons it declines to write coverage;*

"(*6*) *if the insurer declines the risk, or agrees to write the coverage sought on condition that the property will be improved, it shall also promptly send a copy of both the inspection and action reports to the property owner and the State insurance authority, and at the time the insurer sends such reports to the property owner, it shall also explain his right, under applicable State laws, to appeal the decision of the insurer to the State insurance authority, setting forth the procedures to be followed for such appeal;*

"(*7*) *all policies written pursuant to the plan shall be promptly written after inspection or reinspection and shall be separately coded so that appropriate records may be compiled for purposes of performing loss prevention and other studies of the operation of the plan;*

"(*8*) *the inspection facility shall submit to the State insurance authority and to the Secretary periodic reports setting forth information, by individual insurers, including the number of risks inspected under the plan, the number of risks accepted, the number of risks conditionally accepted and reinspections made, the number of risks declined, and such other information as the State insurance authority may request;*

"(*9*) *notice will be given to any policyholder a reasonable time prior to the cancellation or nonrenewal of any risk eligible under the plan (except in case of nonpayment of premium or evidence of incendiarism), to allow ample time for an application for new coverage to be made and a new policy to be written under the plan, and the insurer shall, in writing, explain to the policyholder the procedures for obtaining an inspection under the plan in the notice of cancellation or nonrenewal; and*

"(*10*) *a continuing public education program will be undertaken by the participating insurers, agents, and brokers to assure that the plan receives adequate public attention.*

"ALL-INDUSTRY PLACEMENT FACILITY

"SEC. *1212. Any plan under this part shall include an all-industry placement facility doing business with every insurer participating in the plan in the State, and shall provide that this facility shall perform certain functions including, but not limited to, the following:*

"(*1*) *seeking, upon request by or on behalf of any property owner requesting an inspection under the plan, to distribute the risks involved equitably among the insurers with which it is doing business; and*

"(*2*) *seeking to place insurance up to the full insurable value of the risk to be insured with one or more insurers with which it is doing business, except to the extent that deductibles, percentage participation clauses, and other underwriting devices are employed to meet special problems of insurability.*

"INDUSTRY COOPERATION

"SEC. 1213. (a) Each insurer seeking reinsurance under this title shall file a statement with the State insurance authority in each State in which it is participating in a plan under this part, pledging its full participation and cooperation in carrying out the plan, and shall file a copy of such statement with the Secretary.

"(b) No insurer acquiring reinsurance under this title shall direct any agent or broker or other producer not to solicit business through such a plan, nor shall any agent, broker, or other producer be penalized by such insurer in any way for submitting applications for insurance to an insurer under the plan.

"PLAN EVALUATION

"SEC. 1214. (a) In accordance with such rules and regulations as the Secretary may prescribe, each State insurance authority shall—

"(1) transmit to the Secretary any proposed or adopted plan, or amendments thereto; and

"(2) advise the Secretary, from time to time, concerning the operation of the plan, its effectiveness in providing essential property insurance, and the need to form a pool of insurers or adopt other programs to make essential property insurance more readily available in urban areas of the State.

"(b) The Secretary may, after full consultation with the Board, by rules and regulations, modify the plan criteria set forth under this part, if he finds, on the basis of experience, that such action is necessary or desirable to carry out the purposes of this title. The Secretary may also, with respect to any State, waive compliance with one or more of the plan criteria, upon certification by the State insurance authority that compliance is unnecessary or inadvisable under local conditions or State law.

"PART B—REINSURANCE COVERAGE

"REINSURANCE OF LOSSES FROM RIOTS OR CIVIL DISORDERS

"SEC. 1221. (a)(1) The Secretary is authorized to offer to any insurer or pool, subject to the conditions set forth in section 1223, reinsurance against property losses resulting from riots or civil disorders in any one or more States.

"(2) Reinsurance shall be offered to any such insurer or pool only on all standard lines of property insurance enumerated under subparagraphs (A) through (E) of section 1203(a)(10) together, and any insurer or pool purchasing such reinsurance shall also be eligible, to purchase reinsurance on any one or more standard lines of property insurance enumerated under subparagraphs (F) through (J) of section 1203(a)(10) or which may be designated by regulation pursuant to subparagraph (K) of that section.

"(b) Reinsurance coverage under this section may be provided immediately following the enactment of this title to any insurer or pool in any State on a temporary basis, and on such terms and conditions as may be agreed upon, and coverage under such terms and conditions may be bound with respect to any such insurer or pool by means of a written binder which shall remain in force not more than ninety days and shall expire at the earlier of either—

"(1) the termination of such ninety-day period, or

"(2) the effective date of any governing contract, agreement, treaty, or other arrangement entered into between the insurer or pool and the Secretary under section 1222 for the purpose of providing reinsurance coverage against losses resulting from riots or civil disorders.

"(c) No reinsurance shall be offered to any insurer or pool in a State after the expiration of the written binder entered into under subsection (b), unless there is in effect in such State a plan as set forth under part A and the insurer or pool is participating in such plan, and unless, in the case of an insurer in a State where a pool has been established pursuant to State law, the insurer is participating in such a pool.

"REINSURANCE AGREEMENTS AND PREMIUMS

"SEC. 1222. (a) During the first year following the date of the enactment of this title, the Secretary is authorized to enter into any contract, agreement, treaty, or other arrangement with any insurer or pool for reinsurance coverage, in consideration of payment of such premiums, fees, or other charges by insurers or pools which the Secretary, after full consultation with the Board, deems to be adequate to obtain aggregate reinsurance premiums for deposit in the National Insurance Development Fund established under section 1233 in excess of the estimated amount of insured riot losses during the calendar year 1967, on the assumption that a substantial proportion of the property insurance written will be reinsured under this title, and thereafter the Secretary may increase or decrease such premiums for reinsurance if it is found after full consultation with the Board and the National Association of Insurance Commissioners that such action is necessary or appropriate to carry out the purposes of this title.

"(b) Reinsurance offered under this title shall reimburse an insurer or pool for its total proved and approved claims for covered losses resulting from riots or civil disorders during the term of the reinsurance contract, agreement, treaty, or other arrangement, over and above the amount of the insurer's or pool's retention of such losses as provided in such reinsurance contract, agreement, treaty, or other arrangement entered into under this section.

"(c) Such contracts, agreements, treaties, or other arrangements may be made without regard to section 3679(a) of the Revised Statutes of the United States (31 U.S.C. 665(a)), and shall include any terms and conditions which the Secretary deems necessary to carry out the purposes of this title. The premium rates, terms, and conditions of such contracts with insurers or pools, throughout the country, in any one year shall be uniform.

"(d) Any contract, agreement, treaty, or other arrangement for reinsurance under this section shall be for a term expiring on April 30, 1969, and on April 30 each year thereafter, and shall be entered into within ninety days after the date of the enactment of this title or within ninety days prior to April 30 each year thereafter, or within ninety days after an insurer is authorized to write insurance eligible for reinsurance in a State which it was not authorized to write in the preceding year.

"CONDITIONS OF REINSURANCE

"SEC. 1223. (a) Subject to the provisions of subsection (b), reinsurance shall not be offered by the Secretary in a State or be applicable to insurance polices written in that State by an insurer—

"(1) after one year following the date of the enactment of this title, or, if the appropriate State legislative body has not met in regular session during that year, by the close of its next regular session, in any State which has not adopted appropriate legislation, retroactive to the date of the enactment of this title, under which the State, its political subdivisions, or a governmental corporation or fund established pursuant to State law, will reimburse the Secretary, in an amount up to 5 per centum of the aggregate property insurance premiums earned in that State during the preceding calendar year on those lines of insurance reinsured by the Secretary in that State during the current year, such that the Secretary may be reimbursed for amounts paid by him in respect to reinsured losses that occurred in that State during a calendar year in excess of (A) reinsurance premiums received in that State during the same calendar year plus (B) the excess of (i) the total premiums received by the Secretary for reinsurance in that State during a preceding period measured from the end of the most recent calendar year with respect to which the Secretary was reimbursed for losses under this title over (ii) any amounts paid by the Secretary for reinsured losses that occurred during this same period;

"(2) after thirty days following notification to the insurer that the Secretary finds (after consultation with the State insurance authority) that there has not been adopted by the State, or the property insurance industry in that State, a suitable program or programs, in addition to plans under part A, to make essential property insurance available without regard to environmental hazards, and that such action is necessary to carry out the purposes of this title; except that this paragraph shall not become effective until two years after the date of the enactment of this title, or at such earlier date as the Secretary, after consultation with the State insurance authority, may determine;

"(3) after thirty days following notification to the insurer that the Secretary, or the State insurance authority, finds that such insurer is not fully participating—

"(A) in the plan in the State;

"(B) where it exists, in a pool; and

"(C) where it exists, in any other program found by the Secretary to aid in making essential property insurance more readily available in the State:

Provided, That the Secretary shall not make any such finding with respect to any insurer unless (i) prior to making such finding the Secretary has requested and considered the views of the State insurance authority as to whether such finding should be made, or (ii) the Secretary has made such a request in writing to the State insurance authority and such authority has failed to respond thereto within a reasonable period of time after receiving such request;

"(4) following a merger, acquisition, consolidation or reorganization involving one or more insurers having lines of property

insurance in the State reinsured under this title and one or more insurers with or without such reinsurance, unless the surviving company—

"(A) meets the criteria of eligibility for reinsurance, other than as provided under section 1222(d); and

"(B) within ten days pays any reinsurance premiums due; or

"(5) upon receipt of notice from the insurer or pool that it desires to cancel its reinsurance agreement with the Secretary in the State.

"(b) Notwithstanding the foregoing provisions of this section, reinsurance may be continued for the term of the policies written prior to the date of termination or nonrenewal of reinsurance under this section, for as long as the insurer pays reinsurance premiums annually in such amounts as are determined under section 1222, based on the annual premiums earned on such reinsured policies, and for the purpose of this subsection, the renewal, extension, modification, or other change in a policy, for which any additional premium is charged, shall be deemed to be a policy written on the date such change was made.

"RECOVERY OF PREMIUMS; STATUTE OF LIMITATIONS

"SEC. 1224. (a) The Secretary, in a suit brought in the appropriate United States district court, shall be entitled to recover from any insurer the amount of any unpaid premiums lawfully payable by such insurer to the Secretary.

"(b) No action or proceeding shall be brought for the recovery of any premium due to the Secretary for reinsurance, or for the recovery of any premium paid to the Secretary in excess of the amount due to him, unless such action or proceeding shall have been brought within five years after the right accrued for which the claim is made, except that, where the insurer has made or filed with the Secretary a false or fraudulent annual statement, or other document with the intent to evade, in whole or in part, the payment of premiums, the claim shall not be deemed to have accrued until its discovery by the Secretary.

"PART C—PROVISIONS OF GENERAL APPLICABILITY

"CLAIMS AND JUDICIAL REVIEW

"SEC. 1231. (a) All reinsurance claims for losses under this title shall be submitted by insurers in accordance with such terms and conditions as may be established by the Secretary.

"(b)(1) Upon disallowance of any claim under color of reinsurance made available under this title, or upon refusal of the claimant to accept the amount allowed upon any such claim, the claimant may institute an action against the Secretary on such claim in the United States district court for the district in which a major portion (in terms of value) of the claim arose.

"(2) Any such action must be begun within one year after the date upon which the claimant received written notice of disallowance or partial disallowance of the claim, and exclusive jurisdiction is hereby conferred upon United States district courts to hear and determine such actions without regard to the amount in controversy.

"FISCAL INTERMEDIARIES AND SERVICING AGENTS

"SEC. 1232. (a) *In order to provide for maximum efficiency in the administration of the reinsurance program under this title, and in order to facilitate the expeditious payment of any funds under such program, the Secretary may enter into contracts with any insurer, pool, or other person, for the purpose of providing for the performance of any or all of the following functions:*

"(1) *estimating or determining any amounts of payments for reinsurance claims;*

"(2) *receiving and disbursing and accounting for funds in making payments for reinsurance claims;*

"(3) *auditing the records of any insurer, pool, or other person to the extent necessary to assure that proper payments are made;*

"(4) *establishing the basis of liability for reinsurance payments, including the total amount of proved and approved claims which may be payable to any insurer, and the total amount of premiums earned by any insurer in the respective States for reinsured lines of property insurance; and*

"(5) *otherwise assisting in any manner provided in the contract to further the purposes of this title.*

"(b) (1) *Any such contract may require the insurer, pool, or other person, or any of its officers or employees certifying payments or disbursing funds pursuant to the contract, or otherwise participating in carrying out the contract, to give surety bond to the United States in such amounts as the Secretary may deem appropriate.*

"(2) *In the absence of gross negligence or intent to defraud the United States—*

"(A) *no individual designated pursuant to a contract under this section to certify payments shall be liable with respect to any payment certified by him under this section; and*

"(B) *no officer of the United States disbursing funds shall be liable with respect to any otherwise proper payment by him if it was based on a voucher signed by an individual designated pursuant to a contract under this section to certify payments.*

"NATIONAL INSURANCE DEVELOPMENT FUND

"SEC. 1233. (a) *To carry out the programs authorized under this title, the Secretary is authorized to establish a National Insurance Development Fund (hereinafter called the 'fund') which shall be available, without fiscal year limitations—*

"(1) *to make such payments as may, from time to time, be required under reinsurance contracts under this title;*

"(2) *to pay such administrative expenses as may be necessary or appropriate to carry out the purposes of this title; and*

"(3) *to repay to the Secretary of the Treasury such sums, including interest thereon, as may be borrowed from him for purposes of such programs under section 520(b).*

"(b) *The fund shall be credited with—*

"(1) *reinsurance premiums, fees, and other charges which may be paid or collected in connection with reinsurance provided under part B;*

"(2) *interest which may be earned on investments of the fund;*

"(3) *such amounts as may be advanced to the fund from appro-*

priations in order to maintain the fund in an operative condition adequate to meet its liabilities;

"(4) receipts from any other source which may, from time to time, be credited to the fund; and

"(5) funds borrowed by the Secretary under section 520(b) and deposited in the fund.

"(c) If, after any amounts which may have been advanced to the fund from appropriations have been credited to the appropriation from which advanced (including interest thereon at the rate prescribed under section 520(b)), the Secretary determines that the moneys of the fund are in excess of current needs, he may request the investment of such amounts as he deems advisable by the Secretary of the Treasury in obligations issued or guaranteed by the United States.

"(d) An annual business-type budget for the fund shall be prepared, transmitted to the Congress, considered, and enacted in the manner prescribed by law (sections 102, 103, and 104 of the Government Corporation Control Act (31 U.S.C. 847–849)) for wholly-owned Government corporations.

"RECORDS, ANNUAL STATEMENT, AND AUDITS

"SEC. 1234. (a) Any insurer or pool acquiring reinsurance under this title shall furnish the Secretary with such summaries and analyses of information in its records as may be necessary to carry out the purposes of this title, in such form as the Secretary, in cooperation with the State insurance authority, shall, by rules and regulations, prescribe. The Secretary shall make use of State insurance authority examination reports and facilities to the maximum extent feasible.

"(b) Any insurer or pool acquiring reinsurance under this title shall file with the Secretary a true and correct copy of any annual statement, or amendment thereof, filed with the State insurance authority of its domiciliary State, at the time it files such statement or amendment with such State insurance authority.

"(c) Any insurer or other person executing any contract, agreement, or other appropriate arrangement with the Secretary under section 1222 or section 1232 shall keep reasonable records which fully disclose the total costs of the programs undertaken or the services being rendered, and such other records as will facilitate an effective audit of liability for reinsurance payments by the Secretary.

"(d) The Secretary and the Comptroller General of the United States, or any of their duly authorized representatives, shall have access for the purpose of investigation, audit, and examination to any books, documents, papers, and records of any insurer or other person that are pertinent to the costs of any program undertaken for, or services rendered to, the Secretary. Such audits shall be conducted to the maximum extent feasible in cooperation with the State insurance authorities and through the use of their examining facilities.

"STUDY OF REINSURANCE AND OTHER PROGRAMS

"SEC. 1235. (a) The Secretary is authorized and directed to conduct a study of reinsurance and other means to help assure—

"(1) an adequate market for burglary and theft and other property insurance in urban areas; and

"(2) adequate availability of surety bonds for construction contractors in urban areas.

"(b) The Secretary shall submit the results of this study, together with appropriate recommendations, to the President and Congress no later than one year following the date of the enactment of this title.

"OTHER STUDIES

"SEC. 1236. (a) The Secretary is authorized to undertake such studies as may be necessary to carry out the purposes of this title including, but not limited to, inquiries concerning—

"(1) the operation of plans under part A;

"(2) the extent to which essential property insurance is unavailable in urban areas;

"(3) the market for private reinsurance; and

"(4) loss prevention methods and procedures, insurance marketing methods, and underwriting techniques.

"(b) To such extent and under such circumstances as may be practicable and feasible, the Secretary shall conduct any study authorized under this section in cooperation with State insurance authorities and the private insurance industry.

"GENERAL POWERS

"SEC. 1237. In the performance of, and with respect to, the functions, powers, and duties vested in him by this title, the Secretary shall (in addition to any authority otherwise vested in him) have the functions, powers, and duties (including the authority to issue rules and regulations) set forth in section 402, except subsections (c)(2), (d), and (f), of the Housing Act of 1950. Any rules or regulations of the Secretary shall only be issued after full consultation with the Board and after notice and hearing, if granted, as required by the Administrative Procedure Act.

"SERVICES AND FACILITIES OF OTHER AGENCIES—UTILIZATION OF PERSONNEL, SERVICES, FACILITIES, AND INFORMATION

"SEC. 1238. The Secretary may, with the consent of the agency concerned, accept and utilize, on a reimbursable basis, the officers, employees, services, facilities, and information of any agency of the Federal Government, except that any such agency having custody of any data relating to any of the matters within the jurisdiction of the Secretary shall, to the extent permitted by law, upon request of the Secretary, make such data available to the Secretary.

"ADVANCE PAYMENTS

"SEC. 1239. Any payments which are made under the authority of this title may be made, after necessary adjustments on account of previously made underpayments or overpayments in advance or by way of reimbursement. Payments may be made in such installments and on such conditions as the Secretary may determine.

"TAXATION

"SEC. 1240. (a) The National Insurance Development Fund, including its reserves, surplus, and income, shall be exempt from all taxation

now or hereafter imposed by the United States, or by any State, or any subdivision thereof, except that any real property acquired by the Secretary as a result of reinsurance shall be subject to taxation by any State or political subdivision thereof, to the same extent according to its value, as other real property is taxed.

"(b) Any measures undertaken by any State to meet or to fund its obligations under section 1223(a)(1) shall not be the subject of any retaliatory or fiscal imposition by any other State.

"APPROPRIATIONS

"SEC. 1241. There are hereby authorized to be appropriated such sums as may be necessary to carry out this title."

FINANCING

SEC. 1104. Section 520(b) of the National Housing Act is amended by inserting "(1)" after "necessary" in the first sentence, and by striking out the period at the end of such sentence and inserting in lieu thereof ", and (2) to make payments for reinsured losses under title XII of this Act: Provided, however, That borrowings to make payments for reinsured losses under title XII shall be limited to $250,000,000 or such further sum as the Congress, by joint resolution, may from time to time determine."

FEDERAL INSURANCE ADMINISTRATOR

SEC. 1105. (a) There is hereby established in the Department of Housing and Urban Development the position of Federal Insurance Administrator.

(b) Section 5315 of title 5, United States Code, is amended by adding at the end thereof the following new paragraph:

"(91) Federal Insurance Administrator, Department of Housing and Urban Development."

CLARIFYING AMENDMENTS TO ACTS REFERRING TO DISASTERS

SEC. 1106. (a) Section 7(b)(1) of the Small Business Act is amended by inserting ", riots or civil disorders," before "or other catastrophes".

(b) Section 101(c)(2)(E) of the Housing and Urban Development Act of 1965 is amended by striking out "natural".

(c) Section 111 of the Housing Act of 1949 is amended by striking out "the Secretary" after "disaster," and inserting in lieu thereof "or which the Secretary has determined is in need of such redevelopment or rehabilitation as a result of a riot or civil disorder, he".

(d) Section 203(h) of the National Housing Act is amended by inserting "riot or civil disorder," before "or other catastrophe".

(e) No person who has been convicted of committing a felony during and in connection with a riot or civil disorder shall be permitted, for a period of one year after the date of his conviction, to receive any benefit under any law of the United States providing relief for disaster victims.

TITLE XII—DISTRICT OF COLUMBIA INSURANCE PLACEMENT ACT

SHORT TITLE

SEC. 1201. This title may be cited as the "District of Columbia Insurance Placement Act".

DECLARATION OF PURPOSE

SEC. 1202. The purposes of this title are—

(1) to assure stability in the property insurance market for property located in the District of Columbia;

(2) to assure the availability of basic property insurance as defined by this title;

(3) to encourage maximum use, in obtaining basic property insurance, of the normal insurance market provided by authorized insurers; and

(4) to provide for the equitable distribution among insurers of the responsibility for insuring qualified property in the District of Columbia for which insurance cannot be obtained through the normal insurance market and to authorize the establishment of a joint underwriting association in the District of Columbia to provide for reinsuring of basic property insurance without regard to environmental hazards.

DEFINITIONS

SEC. 1203. As used in this title, unless the context otherwise requires—

(1) The term "Commissoner" means the Commissioner of the District of Columbia or his designated agent.

(2) The term "basic property insurance" means (1) insurance against direct loss to property caused by perils as defined and limited in the standard fire policy and extended coverage endorsement thereon, as approved by the Commissioner, and (2) such other insurance (including insurance against the perils of vandalism, malicious mischief, burglary, theft, and robbery) as the Commissioner may designate (under regulations adopted or made under section 1205 of this title) from those lines of property insurance for which reinsurance is available for losses from riots or civil disorders under part B of title XII of the National Housing Act.

(3) The term "environmental hazard" means any hazardous condition that might give rise to loss under an insurance contract, but which is beyond the control of the property owner.

(4) The term "inspection bureau" means any rating bureau or other organization designated by the Commissioner to perform inspections to determine the condition of the properties for which basic property insurance is sought.

(5) The terms "Industry Placement Facility" and "Facility" mean the facility consisting of all insurers licensed to write and engaged in writing basic property insurance (including homeowners and commercial multiperil policies) within the District of Columbia to assist agents, brokers, and applicants in securing basic property insurance.

(6) The term "premiums written" means gross direct premiums

charged with respect to property in the District of Columbia on all policies of basic property insurance and the basic property insurance premium components of all multiperil policies, less all premiums and dividends returned, paid, or credited to policyholders or the unused or unabsorbed portions of premiums deposits.

(7) The term "property owner" means any person having an insurable interest in real, personal, or mixed real and personal property.

INDUSTRY PLACEMENT FACILITY

SEC. 1204. (a) Within thirty days after the date of the enactment of this title all insurers licensed to write and engaged in writing in the District of Columbia, on a direct basis, basic property insurance or any component thereof in multiperil policies, shall establish an Industry Placement Facility. The Facility shall formulate and administer a program, subject to disapproval by the Commissioner in whole or in part, to seek the equitable apportionment among such insurers of basic property insurance which may be afforded applicants in the District of Columbia whose property is insurable in accordance with reasonable underwriting standards and who individually or through their insurance agent or broker request the aid of the Facility to procure such insurance. The Facility shall seek to place insurance with one or more participating companies up to the full insurable value of the risk, if requested, except to the extent that deductibles, percentage participation clauses, and other underwriting devices are employed to meet special problems of insurability.

(b) The Facility may, subject to the approval of the Commissioner, provide as part of its program for the equitable distribution of commercial risks and dwelling risks among insurers.

(c) Each insurer licensed to write and engaged in writing in the District of Columbia, on a direct basis, basic property insurance or any component thereof in multiperil policies shall participate in the Industry Placement Facility program in accordance with the established rules of the program as a condition of its authority to transact such kinds of insurance in the District of Columbia, except that, in lieu of revoking or suspending the certificate of authority of any company for any failure to comply with any of the established rules of the program, the Commissioner may subject such company to a penalty of not more than $200 for each such failure to so comply when in his judgment he finds that the public interest would be best served by the continued operation of the company in the District of Columbia.

FAIR ACCESS TO INSURANCE REQUIREMENTS

SEC. 1205. (a) The Industry Placement Facility shall on its own motion, or within thirty days after a request by the Commissioner, submit to the Commissioner such proposed rules and regulations applicable to insurers, agents, and brokers deemed necessary to assure all property owners fair access to basic property insurance through the normal insurance markets, including rules and regulations concerning—

(1) the manner and scope of inspections of risk by an inspection bureau;

(2) the preparation and filing of inspection reports and reports on actions taken in connection with inspected risks, and summaries thereof;

(3) the operation of the Facility, including rules and regulations concerning—

(A) the basic property insurance coverages to be provided through the Facility;

(B) the reasonable effort to obtain insurance in the normal commercial market required of an applicant before recourse to the Facility; and

(C) the appeals procedure within the Facility for any applicant for insurance regarding any ruling, action, or decision by or on behalf of the Facility.

(b) The Commissioner may adopt such of the rules and regulations submitted purusuant to subsection (a) of this section as he approves. If the Commissioner disapproves any proposed rule or regulation submitted, he shall state the reasons for so doing, and he shall require the Facility to submit a revision thereof within such time as he may designate, but no less than ten days. During such designated time, the Commissioner and the Facility shall consult regarding any such disapproved rule or regulation. If the Facility fails to submit a proposed rule or regulation, or revision thereof, within the designated time, or if a revised rule or regulation is unacceptable to the Commissioner, the Commissioner may make such rules and regulations covering the proposed general subject matter as he shall deem necessary to carry out the purposes of this title. Any rule or regulation adopted or made under this section shall be consistent with the requirements of part A of title XII of the National Housing Act.

JOINT UNDERWRITING ASSOCIATION

SEC. 1206. (a) The Commissioner is authorized to establish by order a joint underwriting association if he finds, after notice and hearing, that such association is necessary to carry out the purposes of this title. Such joint underwriting association shall consist of all insurers licensed to write and engaged in writing in the District of Columbia, on a direct basis, such basic property insurance as may be designated by the Commissioner or any component thereof in multiperil policies.

(b) Every such insurer shall be and remain a member of the association and shall comply with all requirements of membership as a condition of its authority to transact such kinds of insurance in the District of Columbia, except that in lieu of revoking or suspending the certificate of authority of any company for any failure to comply with any of the requirements of membership, the Commissioner may subject such company to a penalty of not more than $200 for each such failure to so comply when in his judgment he finds that the public interest would be best served by the continued operation of the company in the District of Columbia.

(c) (1) Within sixty days following the effective date of the order of the Commissioner under this section the association shall submit to him a proposed plan of operation, consistent with the provisions of this title, which shall provide for economical, fair, and nondiscriminatory administration of the association and for the prompt and efficient provision of reinsurance, without regard to environmental hazards,

for such basic property insurance as may be designated by the Commissioner. The plan of operation shall include provisions for—

(A) preliminary assessment of all members for initial expenses necessary to commence operations;

(B) establishment of necessary facilities;

(C) management and operation of the association;

(D) assessment of members to defray losses and expenses;

(E) commission arrangements;

(F) reasonable underwriting standards;

(G) assumption and cession of reinsurance; and

(H) such other matters as the Commissioner may designate.

(2) The plan of operation shall not take effect until approved by the Commissioner. If the Commissioner disapproves the proposed plan of operation (or any part thereof), he shall state the reasons for so doing, and the association shall within thirty days thereafter submit for his review an appropriately revised plan of operation. During such time, the Commissioner and the association shall consult regarding the disapproved plan or part thereof. If the association fails to submit a revised plan of operation, or if the revised plan so submitted is unacceptable to the Commissioner, the Commissioner shall promulgate a plan of operation.

(3) The association may, on its own initiative, amend such plan, subject to approval by the Commissioner, and shall amend such plan at the direction of the Commissioner if he finds such action is necessary to carry out the purposes of this title.

(d) All members of the association shall participate in its writings, expenses, profits, and losses, or in such categories thereof as may be separately established by the association, subject to approval by the Commissioner, in the proportion that the premiums written by each such member during the preceding calendar year bear to the aggregate premiums written in the District of Columbia by all members of the association, or in accordance with such other formula as the association may devise with the approval of the Commissioner. Such participation by each insurer in the association shall be determined annually on the basis of such premiums written during the preceding calendar year as disclosed in the annual statements and other reports filed by the insurer with the Commissioner.

(e) The association shall be governed by a board of eleven directors, elected annually by cumulative voting by the members of the association, whose votes in such election shall be weighted in accordance with the proportionate amount of each member's net direct premiums written in the District of Columbia during the preceding calendar year. The first board shall be elected at a meeting of the members or their authorized representatives, which shall be held within thirty days after the effective date of the order under this section establishing the association, at a time and place designated by the Commissioner.

EXAMINATION BY COMMISSIONER

SEC. 1207. The operation of any inspection bureau, the Industry Placement Facility, and the joint underwriting association shall at all times be subject to the supervision and regulation of the Commissioner. The Commissioner shall have the power of visitation of and examination into such operations and free access to all the books, rec-

ords, files, papers, and documents that relate to such operations, may summon and qualify witnesses under oath, and may examine directors, officers, agents, employees or, any other person having knowledge of such operations.

WAIVER OF LIABILITY

SEC. 1208. There shall be no liability on the part of, and no cause of action of any nature shall arise against, insurers, any inspection bureau, the Industry Placement Facility, the joint underwriting association, the agents or employees of such bureau, Facility, or association, or any officer or employee of the District of Columbia, for any statements made in good faith by them concerning the insurability of property (A) in any reports or other communications, (B) at the time of the hearings conducted in connection therewith, or (C) in the findings with respect thereto required by the provisions of this title. The reports and communications of any inspection bureau, the Industry Placement Facility, and the joint underwriting association with respect to individual properties shall not be open to inspection by, or otherwise available to, the public.

ANNUAL REPORTS BY JOINT UNDERWRITING ASSOCIATION

SEC. 1209. The joint underwriting association shall file with the Commissioner, annually on or before the 1st day of March, a statement which shall contain information with respect to its transactions, condition, operations, and affairs during the preceding year. Such statement shall contain such matters and information as are prescribed by the Commissioner and shall be in such form as is approved by him. The Commissioner may at any time require the association to furnish him with additional information with respect to its transactions, condition, or any matter connected therewith which he considers to be material and which will assist him in evaluating the scope, operation, and experience of the association.

APPEALS

SEC. 1210. (a) Any applicant for insurance and any affected insurer may appeal to the Commissioner within ninety days after any final ruling, action, or decision by or on behalf of any inspection bureau, the Industry Placement Facility, or the joint underwriting association, following exhaustion of remedies available within such bureau, Facility, or association.

(b) All final orders or decisions of the Commissioner made under this title shall be subject to review by the District of Columbia Court of Appeals under section 11–742 of the District of Columbia Code.

REIMBURSEMENT FOR REINSURANCE PROVIDED UNDER NATIONAL INSURANCE DEVELOPMENT PROGRAM

SEC. 1211. (a) In order to carry out the purposes of this title and to make available to insurers who participate hereunder the reinsurance afforded under part B of title XII of the National Housing Act against losses to property resulting from riots or civil disorders, the Commissioner is authorized to assess each insurance company author-

ized to do business in the District of Columbia an amount, in the proportion that the premiums earned by each such company in the District of Columbia, on lines reinsured in the District of Columbia by the Secretary of Housing and Urban Development, during the preceding calendar year bear to the aggregate premiums earned on those lines in the District of Columbia by all insurance companies, sufficient to provide a fund to reimburse the Secretary of Housing and Urban Development in the manner set forth in section 1223(a)(1) of such part B. Such fund may be added to or such fund may be created by moneys appropriated therefor by the Congress.

(b) Insurers shall add to the premium rate an amount, to be approved by the Commissioner, sufficient to recover, within not more than three years, any amounts assessed under subsection (a) of this section during the preceding calendar year. Such amount shall be a separate charge to the insured in addition to the premium to be paid and shall be reflected as such in the policy of insurance. No commission shall be paid thereon to any agent or broker producing or selling the policy of insurance wherein such amount is added.

DELEGATION

SEC. 1212. The Commissioner is authorized to delegate any of the functions vested in him by this title.

JUDICIAL REVIEW

SEC. 1213. Section 11–742(a) of the District of Columbia Code is amended (1) by striking out "and" immediately following paragraph (10); (2) by striking out the period following paragraph (11) and inserting in lieu thereof "; and"; and (3) by adding at the end thereof the following new paragraph:

> *"(12) final orders and decisions of the Commissioner of the District of Columbia under the provisions of the District of Columbia Insurance Placement Act."*

TITLE XIII—NATIONAL FLOOD INSURANCE

SHORT TITLE

SEC. 1301. This title may be cited as the "National Flood Insurance Act of 1968".

FINDINGS AND DECLARATION OF PURPOSE

SEC. 1302. (a) The Congress finds that (1) from time to time flood disasters have created personal hardships and economic distress which have required unforeseen disaster relief measures and have placed an increasing burden on the Nation's resources; (2) despite the installation of preventive and protective works and the adoption of other public programs designed to reduce losses caused by flood damage, these methods have not been sufficient to protect adequately against growing exposure to future flood losses; (3) as a matter of national policy, a reasonable method of sharing the risk of flood losses is through a program of flood insurance which can complement and encourage preventive and protective measures; and (4) if such a pro-

gram is initiated and carried out gradually, it can be expanded as knowledge is gained and experience is appraised, thus eventually making flood insurance coverage available on reasonable terms and conditions to persons who have need for such protection.

(b) The Congress also finds that (1) many factors have made it uneconomic for the private insurance industry alone to make flood insurance available to those in need of such protection on reasonable terms and conditions; but (2) a program of flood insurance with large-scale participation of the Federal Government and carried out to the maximum extent practicable by the private insurance industry is feasible and can be initiated.

(c) The Congress further finds that (1) a program of flood insurance can promote the public interest by providing appropriate protection against the perils of flood losses and encouraging sound land use by minimizing exposure of property to flood losses; and (2) the objectives of a flood insurance program should be integrally related to a unified national program for flood plain management and, to this end, it is the sense of Congress that within two years following the effective date of this title the President should transmit to the Congress for its consideration any further proposals necessary for such a unified program, including proposals for the allocation of costs among beneficiaries of flood protection.

(d) It is therefore the purpose of this title to (1) authorize a flood insurance program by means of which flood insurance, over a period of time, can be made available on a nationwide basis through the cooperative efforts of the Federal Government and the private insurance industry, and (2) provide flexibility in the program so that such flood insurance may be based on workable methods of pooling risks, minimizing costs, and distributing burdens equitably among those who will be protected by flood insurance and the general public.

(e) It is the further purpose of this title to (1) encourage State and local governments to make appropriate land use adjustments to constrict the development of land which is exposed to flood damage and minimize damage caused by flood losses, (2) guide the development of proposed future construction, where practicable, away from locations which are threatened by flood hazards, (3) encourage lending and credit institutions, as a matter of national policy, to assist in furthering the objectives of the flood insurance program, (4) assure that any Federal assistance provided under the program will be related closely to all flood-related programs and activities of the Federal Government, and (5) authorize continuing studies of flood hazards in order to provide for a constant reappraisal of the flood insurance program and its effect on land use requirements.

AMENDMENTS TO THE FEDERAL FLOOD INSURANCE ACT OF 1956

SEC. 1303. (a) The second sentence of section 15(e) of the Federal Flood Insurance Act of 1956 (79 Stat. 1078) is amended—

(1) by striking out "rate" the second time it appears in such sentence, and inserting in lieu thereof "market yield", and

(2) by striking out "as of the last day of", and inserting in lieu thereof "during".

(b) Section 15(e) of such Act is further amended by striking out the last sentence thereof.

(c) Sections 2 through 14, subsections (a) through (d), and (f) and (g) of section 15, and sections 16 through 23 of such Act are hereby repealed.

CHAPTER I—THE NATIONAL FLOOD INSURANCE PROGRAM

BASIC AUTHORITY

SEC. 1304. (a) To carry out the purposes of this title, the Secretary of Housing and Urban Development is authorized to establish and carry out a national flood insurance program which will enable interested persons to purchase insurance against loss resulting from physical damage to or loss of real property or personal property related thereto arising from any flood occurring in the United States.

(b) In carrying out the flood insurance program the Secretary shall, to the maximum extent practicable, encourage and arrange for—

(1) appropriate financial participation and risk sharing in the program by insurance companies and other insurers, and

(2) other appropriate participation, on other than a risk-sharing basis, by insurance companies and other insurers, insurance agents and brokers, and insurance adjustment organizations,

in accordance with the provisions of chapter II.

SCOPE OF PROGRAM AND PRIORITIES

SEC. 1305. (a) In carrying out the flood insurance program the Secretary shall afford a priority to making flood insurance available to cover residential properties which are designed for the occupancy of from one to four families and business properties which are owned or leased and operated by small business concerns.

(b) If on the basis of—

(1) studies and investigations undertaken and carried out and information received or exchanged under section 1307, and

(2) such other information as may be necessary,

the Secretary determines that it would be feasible to extend the flood insurance program to cover other properties, he may take such action under this title as from time to time may be necessary in order to make flood insurance available to cover, on such basis as may be feasible, any types and classes of—

(A) other residential properties,

(B) other business properties,

(C) agricultural properties,

(D) properties occupied by private nonprofit organizations, and

(E) properties owned by State and local governments and agencies thereof,

and any such extensions of the program to any types and classes of these properties shall from time to time be prescribed in regulations.

(c) The Secretary shall make flood insurance available in only those States or areas (or subdivisions thereof) which he has determined have—

(1) evidenced a positive interest in securing flood insurance coverage under the flood insurance program, and

(2) given satisfactory assurance that by June 30, 1970, permanent land use and control measures will have been adopted for the State or area (or subdivision) which are consistent with the comprehensive criteria for land management and use developed under section 1361, and that the application and enforcement of such measures will commence as soon as technical information on floodways and on controlling flood elevations is available.

NATURE AND LIMITATION OF INSURANCE COVERAGE

SEC. 1306. (a) The Secretary shall from time to time, after consultation with the advisory committee authorized under section 1318, appropriate representatives of the pool formed or otherwise created under under section 1331, and appropriate representatives of the insurance authorities of the respective States, provide by regulation for general terms and conditions of insurability which shall be applicable to properties eligible for flood insurance coverage under section 1305, including—

(1) the types, classes, and locations of any such properties which shall be eligible for flood insurance;

(2) the nature and limits of loss or damage in any areas (or subdivisions thereof) which may be covered by such insurance;

(3) the classification, limitation, and rejection of any risks which may be advisable;

(4) appropriate minimum premiums;

(5) appropriate loss-deductibles; and

(6) any other terms and conditions relating to insurance coverage or exclusion which may be necessary to carry out the purposes of this title.

(b) In addition to any other terms and conditions under subsection (a), such regulations shall provide that—

(1) any flood insurance coverage based on chargeable premium rates under section 1308 which are less than the estimated premium rates under section 1307(a)(1) shall not exceed—

(A) in the case of residential properties which are designed for the occupancy of from one to four families—

(i) $17,500 aggregate liability for any dwelling unit, and $30,000 for any single dwelling structure containing more than one dwelling unit, and

(ii) $5,000 aggregate liability per dwelling unit for any contents related to such unit;

(B) in the case of business properties which are owned or leased and operated by small business concerns, an aggregate liability with respect to any single structure, including any contents thereof related to premises of small business occupants (as that term is defined by the Secretary), which shall be equal to (i) $30,000 plus (ii) $5,000 multiplied by the number of such occupants and shall be allocated among such occupants (or among the occupant or occupants and the owner) under regulations prescribed by the Secretary; except that the aggregate liability for the structure itself may in no case exceed $30,000; and

(C) in the case of any other properties which may become eligible for flood insurance coverage under section 1305—

(i) $30,000 aggregate liability for any single structure, and

(ii) $5,000 aggregate liability per dwelling unit for any contents related to such unit in the case of residential properties, or per occupant (as that term is defined by the Secretary) for any contents related to the premises occupied in the case of any other properties; and

(2) any flood insurance coverage which may be made available in excess of any of the limits specified in subparagraph (A), (B), or (C) of paragraph (1) (or allocated to any person under subparagraph (B) of such paragraph) shall be based only on chargeable premium rates under section 1308 which are not less than the estimated premium rates under section 1307(a)(1), and the amount of such excess coverage shall not in any case exceed an amount which is equal to the applicable limit so specified (or allocated).

ESTIMATES OF PREMIUM RATES

SEC. 1307. (a) The Secretary is authorized to undertake and carry out such studies and investigations and receive or exchange such information as may be necessary to estimate, and shall from time to time estimate, on an area, subdivision, or other appropriate basis—

(1) the risk premium rates for flood insurance which—

(A) based on consideration of the risk involved and accepted actuarial principles, and

(B) including—

(i) the applicable operating costs and allowances set forth in the schedules prescribed under section 1311 and reflected in such rates, and

(ii) any administrative expenses (or portion of such expenses) of carrying out the flood insurance program which, in his discretion, should properly be reflected in such rates,

would be required in order to make such insurance available on an actuarial basis for any types and classes of properties for which insurance coverage is available under section 1305(a) (or is recommended to the Congress under section 1305(b));

(2) the rates, if less than the rates estimated under paragraph (1), which would be reasonable, would encourage prospective insureds to purchase flood insurance, and would be consistent with the purposes of this title; and

(3) the extent, if any, to which federally assisted or other flood protection measures initiated after the date of the enactment of this title affect such rates.

(b) In carrying out subsection (a), the Secretary shall, to the maximum extent feasible and on a reimbursement basis, utilize the services of the Department of the Army, the Department of the Interior, the Department of Agriculture, the Department of Commerce, and the Tennessee Valley Authority, and, as appropriate, other Federal departments or agencies, and for such purposes may enter into agreements or other appropriate arrangements with any persons.

(c) The Secretary shall give priority to conducting studies and investigations and making estimates under this section in those States or areas (or subdivisions thereof) which he has determined have

evidenced a positive interest in securing flood insurance coverage under the flood insurance program.

ESTABLISHMENT OF CHARGEABLE PREMIUM RATES

SEC. 1308. (a) On the basis of estimates made under section 1307 and such other information as may be necessary, the Secretary shall from time to time, after consultation with the advisory committee authorized under section 1318, appropriate representatives of the pool formed or otherwise created under section 1331, and appropriate representatives of the insurance authorities of the respective States, prescribe by regulation—

(1) chargeable premium rates for any types and classes of properties for which insurance coverage shall be available under section 1305 (at less than the estimated risk premium rates under section 1307(a)(1), where necessary), and

(2) the terms and conditions under which, and the areas (including subdivisions thereof) within which, such rates shall apply.

(b) Such rates shall, insofar as practicable, be—

(1) based on a consideration of the respective risks involved, including differences in risks due to land use measures, flood-proofing, flood forecasting, and similar measures,

(2) adequate, on the basis of accepted actuarial principles, to provide reserves for anticipated losses, or, if less than such amount, consistent with the objective of making flood insurance available where necessary at reasonable rates so as to encourage prospective insureds to purchase such insurance and with the purposes of this title, and

(3) stated so as to reflect the basis for such rates, including the differences (if any) between the estimated risk premium rates under section 1307(a)(1) and the estimated rates under section 1307(a)(2).

(c) Notwithstanding any other provision of this title, the chargeable rate with respect to any property, the construction or substantial improvement of which the Secretary determines has been started after the identification of the area in which such property is located has been published under paragraph (1) of section 1360, shall not be less than the applicable estimated risk premium rate for such area (or subdivision thereof) under section 1307(a)(1).

(d) In the event any chargeable premium rate prescribed under this section—

(1) is a rate which is not less than the applicable estimated risk premium rate under section 1307(a)(1), and

(2) includes any amount for administrative expenses of carrying out the flood insurance program which have been estimaated under clause (ii) of section 1307(a)(1)(B),

a sum equal to such amount shall be paid to the Secretary, and he shall deposit such sum in the National Flood Insurance Fund established under section 1310.

FINANCING

SEC. 1309. (a) All authority which was vested in the Housing and Home Finance Administrator by virtue of section 15(e) of the Fed-

eral Flood Insurance Act of 1956 (70 Stat. 1084) (pertaining to the issue of notes or other obligations to the Secretary of the Treasury), as amended by subsections (a) and (b) of section 1303 of this Act, shall be available to the Secretary for the purpose of carrying out the flood insurance program under this title; except that the total amount of notes and obligations which may be issued by the Secretary pursuant to such authority shall not exceed $250,000,000, and all authority of the Secretary to issue notes and obligations under said section 15 (e) beyond such sum is hereby rescinded.

(b) Any funds borrowed by the Secretary under this authority shall, from time to time, be deposited in the National Flood Insurance Fund established under section 1310.

NATIONAL FLOOD INSURANCE FUND

SEC. 1310. (a) To carry out the flood insurance program authorized by this title, the Secretary is authorized to establish in the Treasury of the United States a National Flood Insurance Fund (hereinafter referred to as the "fund") which shall be available, without fiscal year limitation—

(1) for making such payments as may, from time to time, be required under section 1334;

(2) to pay reinsurance claims under the excess loss reinsurance coverage provided under section 1335;

(3) to repay to the Secretary of the Treasury such sums as may be borrowed from him (together with interest) in accordance with the authority provided in section 1309; and

(4) to pay such administrative expenses (or portion of such expenses) of carrying out the flood insurance program as he may deem necessary; and

(5) for the purposes specified in subsection (d) under the conditions provided therein.

(b) The fund shall be credited with—

(1) such funds borrowed in accordance with the authority provided in section 1309 as may from time to time be deposited in the fund;

(2) premiums, fees, or other charges which may be paid or collected in connection with the excess loss reinsurance coverage provided under section 1335;

(3) such amounts as may be advanced to the fund from appropriations in order to maintain the fund in an operative condition adequate to meet its liabilities;

(4) interest which may be earned on investments of the fund pursuant to subsection (c);

(5) such sums as are required to be paid to the Secretary under section 1308(d); and

(6) receipts from any other operations under this title (including premiums under the conditions specified in subsection (d), and salvage proceeds, if any, resulting from reinsurance coverage).

(c) If, after—

(1) all outstanding obligations of the fund have been liquidated, and

(2) any outstanding amounts which may have been advanced to the fund from appropriations authorized under section

1376(a)(2)(B) have been credited to the appropriation from which advanced, with interest accrued at the rate prescribed under section 15(e) of the Federal Flood Insurance Act of 1956, as in effect immediately prior to the enactment of this title,

the Secretary determines that the moneys of the fund are in excess of current needs, he may request the investment of such amounts as he deems advisable by the Secretary of the Treasury in obligations issued or guaranteed by the United States.

(d) In the event the Secretary makes a determination in accordance with the provisions of section 1340 that operation of the flood insurance program, in whole or in part, should be carried out through the facilities of the Federal Government, the fund shall be available for all purposes incident thereto, including—

(1) cost incurred in the adjustment and payment of any claims for losses, and

(2) payment of applicable operating costs set forth in the schedules prescribed under section 1311,

for so long as the program is so carried out, and in such event any premiums paid shall be deposited by the Secretary to the credit of the fund.

(e) An annual business-type budget for the fund shall be prepared, transmitted to the Congress, considered, and enacted in the manner prescribed by law (sections 102, 103, and 104 of the Government Corporation Control Act (31 U.S.C. 847–849)) for wholly-owned Government corporations.

OPERATING COSTS AND ALLOWANCES

SEC. 1311. (a) The Secretary shall from time to time negotiate with appropriate representatives of the insurance industry for the purpose of establishing—

(1) a current schedule of operating costs applicable both to risk-sharing insurance companies and other insurers and to insurance companies and other insurers, insurance agents and brokers, and insurance adjustment organizations participating on other than a risk-sharing basis, and

(2) a current schedule of operating allowances applicable to risk-sharing insurance companies and other insurers,

which may be payable in accordance with the provisions of chapter II, and such schedules shall from time to time be prescribed in regulations.

(b) For purposes of subsection (a)—

(1) The term "operating costs" shall (without limiting such term) include—

(A) expense reimbursements covering the direct, actual, and necessary expenses incurred in connection with selling and servicing flood insurance coverage;

(B) reasonable compensation payable for selling and servicing flood insurance coverage, or commissions or service fees paid to producers;

(C) loss adjustment expenses; and

(D) other direct, actual, and necessary expenses which the Secretary finds are incurred in connection with selling or servicing flood insurance coverage; and

(2) the term "operating allowances" shall (without limiting such term) include amounts for profit and contingencies which the Secretary finds reasonable and necessary to carry out the purposes of this title.

PAYMENT OF CLAIMS

SEC. 1312. The Secretary is authorized to prescribe regulations establishing the general method or methods by which proved and approved claims for losses may be adjusted and paid for any damage to or loss of property which is covered by flood insurance made available under the provisions of this title.

DISSEMINATION OF FLOOD INSURANCE INFORMATION

SEC. 1313. The Secretary shall from time to time take such action as may be necessary in order to make information and data available to the public, and to any State or local agency or official, with regard to—

(1) the flood insurance program, its coverage and objectives, and

(2) estimated and chargeable flood insurance premium rates, including the basis for and differences between such rates in accordance with the provisions of section 1308.

PROHIBITION AGAINST CERTAIN DUPLICATIONS OF BENEFITS

SEC. 1314. (a) Nothwithstanding the provisions of any other law, no Federal diaster assistance shall be made available to any person—

(1) for the physical loss, destruction, or damage of real or personal property, to the extent that such loss, destruction, or damage is covered by a valid claim which may be adjusted and paid under flood insurance made available under the authority of this title, or

(2) except in the situation provided for under subsection (b), for the physical loss, destruction, or damage of real or personal property, to the extent that such loss, destruction, or damage could have been covered by a valid claim under flood insurance which had been made available under the authority of this title, if—

(A) such loss, destruction, or damage occurred subsequent to one year following the date flood insurance was made available in the area (or subdivision thereof) in which such property or the major part thereof was located, and

(B) such property was eligible for flood insurance under this title at that date;

and in such circumstances the extent that such loss, destruction, or damage could have been covered shall be presumed (for purposes of this subsection) to be an amount not less than the maximum limit of insurable loss or damage applicable to such property in such area (or subdivision thereof), pursuant to regulations under section 1306, at the time insurance was made available in such area (or subdivision thereof).

(b) In order to assure that the provisions of subsection (a)(2) will not create undue hardship for low-income persons who might otherwise benefit from the provision of Federal disaster assistance,

the Secretary shall provide by regulation for the circumstances in which the provisions of subsection (a)(2) shall not be applicable to any such persons.

(c) For purposes of this section, "Federal disaster assistance" shall include any Federal financial assistance which may be made available to any person as a result of—

(1) a major disaster (within the meaning of that term as determined by the President pursuant to the Act entitled "An Act to authorize Federal assistance to State and local governments in major disasters, and for other purposes", as amended (42 U.S.C. 1855–1855g)),

(2) a natural disaster, as determined by the Secretary of Agriculture pursuant to section 321 of the Consolidated Farmers Home Administration Act of 1961 (7 U.S.C. 1961), or

(3) a disaster with respect to which loans may be made under section 7(b) of the Small Business Act (15 U.S.C. 636(b)).

(d) For purposes of section 10 of the Disaster Relief Act of 1966 (80 Stat. 1320), the term "financial assistance" shall be deemed to include any flood insurance which is made available under this title.

STATE AND LOCAL LAND USE CONTROLS

SEC. 1315. After June 30, 1970, no new flood insurance coverage shall be provided under this title in any area (or subdivision thereof) unless an appropriate public body shall have adopted permanent land use and control measures (with effective enforcement provisions) which the Secretary finds are consistent with the comprehensive criteria for land management and use under section 1361.

PROPERTIES IN VIOLATION OF STATE AND LOCAL LAW

SEC. 1316. No new flood insurance coverage shall be provided under this title for any property which the Secretary finds has been declared by a duly constituted State or local zoning authority, or other authorized public body, to be in violation of State or local laws, regulations, or ordinances which are intended to discourage or otherwise restrict land development or occupancy in flood-prone areas.

COORDINATION WITH OTHER PROGRAMS

SEC. 1317. In carrying out this title, the Secretary shall consult with other departments and agencies of the Federal Government, and with interstate, State, and local agencies having responsibilities for flood control, flood forecasting, or flood damage prevention, in order to assure that the programs of such agencies and the flood insurance program authorized under this title are mutually consistent.

ADVISORY COMMITTEE

SEC. 1318. (a) The Secretary shall appoint a flood insurance advisory committee, without regard to the provisions of title 5, United States Code, governing appointments in the competitive service, and such committee shall advise the secretary in the preparation of any regulations prescribed in accordance with this title and with respect to policy matters arising in the administration of this title, and shall perform

such other responsibilities as the Secretary may, from time to time, assign to such committee.

(b) Such committee shall consist of not more than fifteen persons and such persons shall be selected from among representatives of—

(1) the insurance industry,

(2) State and local governments,

(3) lending institutions,

(4) the homebuilding industry, and

(5) the general public.

(c) Members of the committee shall, while attending conferences or meetings thereof, be entitled to receive compensation at a rate fixed by the Secretary but not exceeding $100 per day, including traveltime, and while so serving away from their homes or regular places of business they may be allowed travel expenses, including per diem in lieu of subsistence, as is authorized under section 5703 of title 5, United States Code, for persons in the Government service employed intermittently.

INITIAL PROGRAM LIMITATION

Sec. 1319. The face amount of flood insurance coverage outstanding and in force at any one time under this title shall not exceed the sum of $2,500,000,000.

REPORT TO THE PRESIDENT

Sec. 1320. The Secretary shall include a report of operations under this title in the annual report to the President for submission to the Congress required by section 8 of the Department of Housing and Urban Development Act.

CHAPTER II—ORGANIZATION AND ADMINISTRATION OF THE FLOOD INSURANCE PROGRAM

ORGANIZATION AND ADMINISTRATION

Sec. 1330. Following such consultation with representatives of the insurance industry as may be necessary, the Secretary shall implement the flood insurance program authorized under chapter I in accordance with the provisions of part A of this chapter and, if a determination is made by him under section 1340, under part B of this chapter.

Part A—Industry Program With Federal Financial Assistance

INDUSTRY FLOOD INSURANCE POOL

Sec. 1331. (a) The Secretary is authorized to encourage and otherwise assist any insurance companies and other insurers which meet the requirements prescribed under subsection (b) to form, associate, or otherwise join together in a pool—

(1) in order to provide the flood insurance coverage authorized under chapter I; and

(2) for the purpose of assuming, on such terms and conditions as may be agreed upon, such financial responsibility as will enable such companies and other insurers, with the Federal financial and other assistance available under this title, to assume a reasonable proportion of responsibility for the adjustment and payment of claims for losses under the flood insurance program.

(b) In order to promote the effective administration of the flood insurance program under this part, and to assure that the objectives of this title are furthered, the Secretary is authorized to prescribe appropriate requirements for insurance companies and other insurers participating in such pool including, but not limited to, minimum requirements for capital or surplus or assets.

AGREEMENTS WITH FLOOD INSURANCE POOL

SEC. 1332. (a) The Secretary is authorized to enter into such agreements with the pool formed or otherwise created under this part as he deems necessary to carry out the purposes of this title.

(b) Such agreements shall specify—

(1) the terms and conditions under which risk capital will be available for the adjustment and payment of claims,

(2) the terms and conditions under which the pool (and the companies and other insurers participating therein) shall participate in premiums received and profits or losses realized or sustained,

(3) the maximum amount of profit, established by the Secretary and set forth in the schedules prescribed under section 1311, which may be realized by such pool (and the companies and other insurers participating therein),

(4) the terms and conditions under which operating costs and allowances set forth in the schedules prescribed under section 1311 may be paid, and

(5) the terms and conditions under which premium equalization payments under section 1334 will be made and reinsurance claims under section 1335 will be paid.

(c) In addition, such agreements shall contain such provisions as the Secretary finds necessary to assure that—

(1) no insurance company or other insurer which meets the requirements prescribed under section 1331(b), and which has indicated an intention to participate in the flood insurance program on a risk-sharing basis, will be excluded from participating in the pool,

(2) the insurance companies and other insurers participating in the pool will take whatever action may be necessary to provide continuity of flood insurance coverage by the pool, and

(3) any insurance companies and other insurers, insurance agents and brokers, and insurance adjustment organizations will be permitted to cooperate with the pool as fiscal agents or otherwise, on other than a risk-sharing basis, to the maximum extent practicable.

ADJUSTMENT AND PAYMENT OF CLAIMS AND JUDICIAL REVIEW

SEC. 1333. The insurance companies and other insurers which form, associate, or otherwise join together in the pool under this part may adjust and pay all claims for proved and approved losses covered by flood insurance in accordance with the provisions of this title and, upon the disallowance by any such company or other insurer of any such claim, or upon the refusal of the claimant to accept the amount allowed upon any such claim, the claimant, within one year after the

date of mailing of notice of disallowance or partial disallowance of the claim, may institute an action on such claim against such company or other insurer in the United States district court for the district in which the insured property or the major part thereof shall have been situated, and jurisdiction is hereby conferred upon such court to hear and determine such action without regard to the amount in controversy.

PREMIUM EQUALIZATION PAYMENTS

SEC. 1334. (a) The Secretary, on such terms and conditions as he may from time to time prescribe, shall make periodic payments to the pool formed or otherwise created under section 1331, in recognition of such reductions in chargeable premium rates under section 1308 below estimated premium rates under section 1307(a)(1) as are required in order to make flood insurance available on reasonable terms and conditions.

(b) Such payments shall be based only on the aggregate amount of flood insurance retained by the pool after ceding reinsurance in accordance with the provisions of section 1335, and shall not exceed an aggregate amount in any payment period equal to the sum of the following:

(1) an amount for losses which bears the same ratio to the amount of all proved and approved claims for losses under this title during any designated period as the amount equal to the difference between—

(A) the sum of all premium payments for flood insurance coverage in force under this title during such designated period which would have been payable during such period if all such coverage were based on estimated risk premium rates under section 1307(a)(1) (excluding any administrative expenses which may be reflected in such rates, as specified in clause (ii) of section 1307(a)(1)(B)), and

(B) the sum of the premium payments actually paid or payable for such insurance under this title during such period,

bears to the amount specified in clause (A); and

(2) subject to the terms and conditions specified in the agreements entered into with the pool under section 1332, a proportionate amount for appropriate operating costs and allowances (as set forth in the schedules prescribed under section 1311) during any designated period which bears the same ratio to the total amount of such operating costs and allowances during such period as the ratio specified in paragraph (1).

(c) Designated periods under this section and the methods for determining the sum of premiums paid or payable during such periods shall be established by the Secretary.

REINSURANCE COVERAGE

SEC. 1335. (a) The Secretary is authorized to take such action as may be necessary in order to make available, to the pool formed or otherwise created under section 1331, reinsurance for losses (due to claims for proved and approved losses covered by flood insurance) which are in excess of losses assumed by such pool in accordance with the excess loss agreement entered into under subsection (c).

(b) Such reinsurance shall be made available pursuant to contract, agreement, or any other arrangement, in consideration of such payment of a premium, fee, or other charge as the Secretary finds necessary to cover anticipated losses and other costs of providing such reinsurance.

(c) The Secretary is authorized to negotiate an excess loss agreement, from time to time, under which the amount of flood insurance retained by the pool, after ceding reinsurance, shall be adequate to further the purposes of this title, consistent with the objective of maintaining appropriate financial participation and risk sharing to the maximum extent practicable on the part of participating insurance companies and other insurers.

(d) All reinsurance claims for losses in excess of losses assumed by the pool shall be submitted on a portfolio basis by such pool in accordance with terms and conditions established by the Secretary.

Part B—Government Program With Industry Assistance

FEDERAL OPERATION OF THE PROGRAM

Sec. 1340. (a) If at any time, after consultation with representatives of the insurance industry, the Secretary determines that operation of the flood insurance program as provided under part A cannot be carried out, or that such operation, in itself, would be assisted materially by the Federal Government's assumption, in whole or in part, of the operational responsibility for flood insurance under this title (on a temporary or other basis) he shall promptly undertake any necessary arrangements to carry out the program of flood insurance authorized under chapter I through the facilities of the Federal Government, utilizing, for purposes of providing flood insurance coverage, either—

(1) insurance companies and other insurers, insurance agents and brokers, and insurance adjustment organizations, as fiscal agents of the United States,

(2) officers and employees of the Department of Housing and Urban Development, and such other officers and employees of any executive agency (as defined in section 105 of title 5 of the United States Code) as the Secretary and the head of any such agency may, from time to time, agree upon, on a reimbursement or other basis, or

(3) both the alternatives specified in paragraphs (1) and (2).

(b) Upon making the determination referred to in subsection (a), and at least thirty days prior to implementing the program of flood insurance authorized under chapter I through the facilities of the Federal Government, the Secretary shall make a report to the Congress and such report shall—

(1) state the reasons for such determination,

(2) be supported by pertinent findings,

(3) indicate the extent to which it is anticipated that the insurance industry will be utilized in providing flood insurance coverage under the program, and

(4) contain such recommendations as the Secretary deems advisable.

ADJUSTMENT AND PAYMENT OF CLAIMS AND JUDICIAL REVIEW

SEC. 1341. In the event the program is carried out as provided in section 1340, the Secretary shall be authorized to adjust and make payment of any claims for proved and approved losses covered by flood insurance, and upon the disallowance by the Secretary of any such claim, or upon the refusal of the claimant to accept the amount allowed upon any such claim, the claimant, within one year after the date of mailing of notice of disallowance or partial disallowance by the Secretary, may institute an action against the Secretary on such claim in the United States district court for the district in which the insured property or the major part thereof shall have been situated, and jurisdiction is hereby conferred upon such court to hear and determine such action without regard to the amount in controversy.

PART C—PROVISIONS OF GENERAL APPLICABILITY

SERVICES BY INSURANCE INDUSTRY

SEC. 1345. (a) In administering the flood insurance program under this chapter, the Secretary is authorized to enter into any contracts, agreements, or other appropriate arrangements which may, from time to time, be necessary for the purpose of utilizing, on such terms and conditions as may be agreed upon, the facilities and services of any insurance companies or other insurers, insurance agents and brokers, or insurance adjustment organizations; and such contracts, agreements, or arrangements may include provision for payment of applicable operating costs and allowances for such facilities and services as set forth in the schedules prescribed under section 1311.

(b) Any such contracts, agreements, or other arrangements may be entered into without regard to the provisions of section 3709 of the Revised Statutes (41 U.S.C. 5) or any other provision of law requiring competitive bidding.

USE OF INSURANCE POOL, COMPANIES, OR OTHER PRIVATE ORGANIZATIONS FOR CERTAIN PAYMENTS

SEC. 1346. (a) In order to provide for maximum efficiency in the administration of the flood insurance program and in order to facilitate the expeditious payment of any Federal funds under such program, the Secretary may enter into contracts with pool formed or otherwise created under section 1331, or any insurance company or other private organization, for the purpose of securing performance by such pool, company, or organization of any or all of the following responsibilities:

(1) estimating and later determining any amounts of payments to be made;

(2) receiving from the Secretary, disbursing, and accounting for funds in making such payments;

(3) making such audits of the records of any insurance company or other insurer, insurance agent or broker, or insurance adjustment organization as may be necessary to assure that proper payments are made; and

(4) otherwise assisting in such manner as the contract may provide to further the purposes of this title.

(b) Any contract with the pool or an insurance company or other private organization under this section may contain such terms and conditions as the Secretary finds necessary or appropriate for carrying out responsibilities under subsection (a), and may provide for payment of any costs which the Secretary determines are incidental to carrying out such responsibilities which are covered by the contract.

(c) Any contract entered into under subsection (a) may be entered into without regard to section 3709 of the Revised Statute (41 U.S.C. 5) or any other provision of law requiring competitive bidding.

(d) No contract may be entered into under this section unless the Secretary finds that the pool, company, or organization will perform its obligations under the contract efficiently and effectively, and will meet such requirements as to financial responsibility, legal authority, and other matters as he finds pertinent.

(e)(1) Any such contract may require the pool, company, or organization or any of its officers or employees certifying payments or disbursing funds pursuant to the contract, or otherwise participating in carrying out the contract, to give surety bond to the United States in such amount as the Secretary may deem appropriate.

(2) No individual designated pursuant to a contract under this section to certify payments shall, in the absence of gross negligence or intent to defraud the United States, be liable with respect to any payment certified by him under this section.

(3) No officer disbursing funds shall, in the absence of gross negligence or intent to defraud the United States, be liable with respect to any payment by him under this section if it was based upon a voucher signed by an individual designated to certify payments as provided in paragraph (2) of this subsection.

(f) Any contract entered into under this section shall be for a term of one year, and may be made automatically renewable from term to term in the absence of notice by either party of an intention to terminate at the end of the current term; except that the Secretary may terminate any such contract at any time (after reasonable notice to the pool, company, or organization involved) if he finds that the pool, company, or organization has failed substantially to carry out the contract, or is carrying out the contract in a manner inconsistent with the efficient and effective administration of the flood insurance program authorized under this title.

SETTLEMENT AND ARBITRATION

SEC. 1347. (a) The Secretary is authorized to make final settlement of any claims or demands which may arise as a result of any financial transactions which he is authorized to carry out under this chapter, and may, to assist him in making any such settlement, refer any disputes relating to such claims or demands to arbitration, with the consent of the parties concerned.

(b) Such arbitration shall be advisory in nature, and any award, decision, or recommendation which may be made shall become final only upon the approval of the Secretary.

RECORDS AND AUDITS

SEC. 1348. (a) The flood insurance pool formed or otherwise created under part A of this chapter, and any insurance company or other

private organization executing any contract, agreement, or other appropriate arrangement with the Secretary under part B of this chapter or this part, shall keep such records as the Secretary shall prescribe, including records which fully disclose the total costs of the program undertaken or the services being rendered, and such other records as will facilitate an effective audit.

(b) The Secretary and the Comptroller General of the United States, or any of their duly authorized representatives, shall have access for the purpose of audit and examination to any books, documents, papers, and records of the pool and any such insurance company or other private organization that are pertinent to the costs of the program undertaken or the services being rendered.

CHAPTER III—COORDINATION OF FLOOD INSURANCE WITH LAND-MANAGEMENT PROGRAMS IN FLOOD-PRONE AREAS

IDENTIFICATION OF FLOOD-PRONE AREAS

SEC. 1360. The Secretary is authorized to consult with, receive information from, and enter into any agreements or other arrangements with the Secretaries of the Army, the Interior, Agriculture, and Commerce, the Tennessee Valley Authority, and the heads of other Federal departments or agencies, on a reimbursement basis, or with the head of any State or local agency, or enter into contracts with any persons or private firms, in order that he may—

(1) identify and publish information with respect to all flood plain areas, including coastal areas located in the United States, which have special flood hazards, within five years following the date of the enactment of this Act, and

(2) establish flood-risk zones in all such areas, and make estimates with respect to the rates of probable flood-caused loss for the various flood-risk zones for each of these areas, within fifteen years following such date.

CRITERIA FOR LAND MANAGEMENT AND USE

SEC. 1361. (a) The Secretary is authorized to carry out studies and investigations, utilizing to the maximum extent practicable the existing facilities and services of other Federal departments or agencies, and State and local governmental agencies, and any other organizations, with respect to the adequacy of State and local measures in flood-prone areas as to land management and use, flood control, flood zoning, and flood damage prevention, and may enter into any contracts, agreements, or other appropriate arrangements to carry out such authority.

(b) Such studies and investigations shall include, but not be limited to, laws, regulations, or ordinances relating to encroachments and obstructions on stream channels and floodways, the orderly development and use of flood plains of rivers or streams, floodway encroachment lines, and flood plain zoning, building codes, building permits, and subdivision or other building restrictions.

(c) On the basis of such studies and investigations, and such other information as he deems necessary, the Secretary shall from time to

time develop comprehensive criteria designed to encourage, where necessary, the adoption of permanent State and local measures which, to the maximum extent feasible, will—

(1) constrict the development of land which is exposed to flood damage where appropriate,

(2) guide the development of proposed construction away from locations which are threatened by flood hazards,

(3) assist in reducing damage caused by floods, and

(4) otherwise improve the long-range land management and use of flood-prone areas,

and he shall work closely with and provide any necessary technical assistance to State, interstate, and local governmental agencies, to encourage the application of such criteria and the adoption and enforcement of such measures.

PURCHASE OF CERTAIN INSURED PROPERTIES

SEC. 1362. The Secretary may, when he determines that the public interest would be served thereby, enter into negotiations with any owner of real property or interest therein which—

(1) was located in any flood-risk area, as determined by the Secretary,

(2) was covered by flood insurance under the flood insurance program authorized under this title, and

(3) was damaged substantially beyond repair by flood while so covered,

and may purchase such property or interests therein, for subsequent transfer, by sale, lease, donation, or otherwise, to any State or local agency which enters into an agreement with the Secretary that such property shall, for a period not less than forty years following transfer, be used for only such purposes as the Secretary may, by regulation, determine to be consistent with sound land management and use in such area.

CHAPTER IV—APPROPRIATIONS AND MISCELLANEOUS PROVISIONS

DEFINITIONS

SEC. 1370. As used in this title—

(1) the term "flood" shall have such meaning as may be prescribed in regulations of the Secretary, and may include inundation from rising waters or from the overflow of streams, rivers, or other bodies of water, or from tidal surges, abnormally high tidal water, tidal waves, tsunamis, hurricanes, or other severe storms or deluge;

(2) the terms "United States" (when used in a geographic sense) and "State" includes the several States, the District of Columbia, the territories and possessions, the Commonwealth of Puerto Rico, and the Trust Territory of the Pacific Islands;

(3) the terms "insurance company", "other insurer", and "insurance agent or broker" include any organizations and persons authorized to engage in the insurance business under the laws of any State;

(4) the term "insurance adjustment organization" includes any organizations and persons engaged in the business of adjusting loss claims arising under insurance policies issued by any insurance company or other insurer;

(5) the term "person" includes any individual or group of individuals, corporation, partnership, association, or any other organized group of persons, including State and local governments and agencies thereof; and

(6) the term "Secretary" means the Secretary of Housing and Urban Development.

STUDIES OF OTHER NATURAL DISASTERS

SEC. 1371. (a) The Secretary is authorized to undertake such studies as may be necessary for the purpose of determining the extent to which insurance protection against earthquakes or any other natural disaster perils, other than flood, is not available from public or private sources, and the feasibility of such insurance protection being made available.

(b) Studies under this section shall be carried out, to the maximum extent practicable, with the cooperation of other Federal departments and agencies and State and local agencies, and the Secretary is authorized to consult with, receive information from, and enter into any necessary agreements or other arrangements with such other Federal departments and agencies (on a reimbursement basis) and such State and local agencies.

PAYMENTS

SEC. 1372. Any payments under this title may be made (after necessary adjustment on account of previously made underpayments or overpayments) in advance or by way of reimbursement, and in such installments and on such conditions, as the Secretary may determine.

GOVERNMENT CORPORATION CONTROL ACT

SEC. 1373. The provisions of the Government Corporation Control Act shall apply to the program authorized under this title to the same extent as they apply to wholly owned Government corporations.

FINALITY OF CERTAIN FINANCIAL TRANSACTIONS

SEC. 1374. Notwithstanding the provisions of any other law—

(1) any financial transaction authorized to be carried out under this title, and

(2) any payment authorized to be made or to be received in connection with any such financial transaction.

shall be final and conclusive upon all officers of the Government.

ADMINISTRATIVE EXPENSES

SEC. 1375. Any administrative expenses which may be sustained by the Federal Government in carrying out the flood insurance program authorized under this title may be paid out of appropriated funds.

APPROPRIATIONS

SEC. 1376. (a) There are hereby authorized to be appropriated such sums as may from time to time be necessary to carry out this title, including sums—

(1) to cover administrative expenses authorized under section 1375;

(2) to reimburse the National Flood Insurance Fund established under section 1310 for—

(A) premium equalization payments under section 1334 which have been made from such fund; and

(B) reinsurance claims paid under the excess loss reinsurance coverage provided under section 1335; and

(3) to make such other payments as may be necessary to carry out the purposes of this title.

(b) All such funds shall be available without fiscal year limitation.

EFFECTIVE DATE

SEC. 1377. This title shall take effect one hundred and twenty days following the date of its enactment, except that the Secretary, on the basis of a finding that conditions exist necessitating the prescribing of an additional period, may prescribe a later effective date which in no event shall be more than one hundred and eighty days following such date of enactment.

TITLE XIV—INTERSTATE LAND SALES

SHORT TITLE

SEC. 1401. This title may be cited as the "Interstate Land Sales Full Disclosure Act".

DEFINITIONS

SEC. 1402. For the purposes of this title, the term—

(1) "Secretary" means the Secretary of Housing and Urban Development;

(2) "person" means an individual, or an unincorporated organization, partnership, association, corporation, trust, or estate;

(3) "subdivision" means any land which is divided or proposed to be divided into fifty or more lots, whether contiguous or not, for the purpose of sale or lease as part of a common promotional plan and where subdivided land is offered for sale or lease by a single developer, or a group of developers acting in concert, and such land is contiguous or is known, designated, or advertised as a common unit or by a common name such land shall be presumed, without regard to the number of lots covered by each individual offering, as being offered for sale or lease as part of a common promotional plan;

(4) "developer" means any person who, directly or indirectly, sells or leases, or offers to sell or lease, or advertises for sale or lease any lots in a subdivision;

(5) "agent" means any person who represents, or acts for or on behalf of, a developer in selling or leasing, or offering to sell or lease, any lot or lots in a subdivision; but shall not include an attorney at law whose representation of another person consists solely of rendering legal services;

(6) "blanket encumbrance" means a trust deed, mortgage, judgment, or any other lien or encumbrance, including an option or contract to sell or a trust agreement, affecting a subdivision or affecting more than one lot offered within a subdivision, except that such term shall not include any lien or other encumbrance arising as the result of the imposition of any tax assessment by any public authority;

(7) "interstate commerce" means trade or commerce among the several States;

(8) "State" includes the several States, the District of Columbia, the Commonwealth of Puerto Rico, and the territories and possessions of the United States;

(9) "purchaser" means an actual or prospective purchaser or lessee of any lot in a subdivision;

(10) "offer" includes any inducement, solicitation, or attempt to encourage a person to acquire a lot in a subdivision.

EXEMPTIONS

SEC. 1403. (a) Unless the method of disposition is adopted for the purpose of evasion of this title, the provisions of this title shall not apply to—

(1) the sale or lease of real estate not pursuant to a common promotional plan to offer or sell fifty or more lots in a subdivision;

(2) the sale or lease of lots in a subdivision, all of which are five acres or more in size;

(3) the sale or lease of any improved land on which there is a residential, commercial, or industrial building, or to the sale or lease of land under a contract obligating the seller to erect such a building thereon within a period of two years;

(4) the sale or lease of real estate under or pursuant to court order;

(5) the sale of evidences of indebtedness secured by a mortgage or deed of trust on real estate;

(6) the sale of securities issued by a real estate investment trust;

(7) the sale or lease of real estate by any government or government agency;

(8) the sale or lease of cemetery lots;

(9) the sale or lease of lots to any person who acquires such lots for the purpose of engaging in the business of constructing residential, commercial, or industrial buildings or for the purpose of resale or lease of such lots to persons engaged in such business; or

(10) the sale or lease of real estate which is free and clear of all liens, encumbrances, and adverse claims if each and every purchaser or his or her spouse has personally inspected the lot which he purchased and if the developer executes a written affirmation to that effect to be made a matter of record in accordance with rules and regulations of the Secretary. As used in this subparagraph, the terms "liens," "encumbrances," and "adverse claims" are not intended to refer to property reservations which land developers commonly convey or dedicate to local bodies or public utilities for the purpose of bringing public services to the land

being developed nor to taxes and assessments which, under applicable State or local law, constitute liens on the property before they are due and payable.

(b) The Secretary may from time to time, pursuant to rules and regulations issued by him, exempt from any of the provisions of this title any subdivision or any lots in a subdivision, if he finds that the enforcement of this title with respect to such subdivision or lots is not necessary in the public interest and for the protection of purchasers by reason of the small amount involved or the limited character of the public offering.

PROHIBITIONS RELATING TO THE SALE OR LEASE OF LOTS IN SUBDIVISIONS

SEC. 1404. (a) It shall be unlawful for any developer or agent, directly or indirectly, to make use of any means or instruments of transportation or communication in interstate commerce, or of the mails—

(1) to sell or lease any lot in any subdivision unless a statement of record with respect to such lot is in effect in accordance with section 1407 and a printed property report, meeting the requirements of section 1408, is furnished to the purchaser in advance of the signing of any contract or agreement for sale or lease by the purchaser; and

(2) in selling or leasing, or offering to sell or lease, any lot in a subdivision—

(A) to employ any device, scheme, or artifice to defraud, or

(B) to obtain money or property by means of a material misrepresentation with respect to any information included in the statement of record or the property report or with respect to any other information pertinent to the lot or the subdivision and upon which the purchaser relies, or

(C) to engage in any transaction, practice, or course of business which operates or would operate as a fraud or deceit upon a purchaser.

(b) Any contract or agreement for the purchase or leasing of a lot in a subdivision covered by this title, where the property report has not been given to the purchaser in advance or at the time of his signing, shall be voidable at the option of the purchaser. A purchaser may revoke such contract or agreement within forty-eight hours, where he has received the property report less than forty-eight hours before he signed the contract or agreement, and the contract or agreement shall so provide, except that the contract or agreement may stipulate that the foregoing revocation authority shall not apply in the case of a purchaser who (1) has received the property report and inspected the lot to be purchased or leased in advance of signing the contract or agreement, and (2) acknowledges by his signature that he has made such inspection and has read and understood such report.

REGISTRATION OF SUBDIVISIONS

SEC. 1405. (a) A subdivision may be registered by filing with the Secretary a statement of record, meeting the requirements of this title and such rules and regulations as may be prescribed by the Secretary in furtherance of the provisions of this title. A statement of record shall be deemed effective only as to the lots specified therein.

(b) At the time of filing a statement of record, or any amendment thereto, the developer shall pay to the Secretary a fee, not in excess of $1,000, in accordance with a schedule to be fixed by the regulations of the Secretary, which fees may be used by the Secretary to cover all or part of the cost of rendering services under this title, and such expenses as are paid from such fees shall be considered non-administrative.

(c) The filing with the Secretary of a statement of record, or of an amendment thereto, shall be deemed to have taken place upon the receipt thereof, accompanied by payment of the fee required by subsection (b).

(d) The information contained in or filed with any statement of record shall be made available to the public under such regulations as the Secretary may prescribe and copies thereof shall be furnished to every applicant at such reasonable charge as the Secretary may prescribe.

INFORMATION REQUIRED IN STATEMENT OF RECORD

SEC. 1406. The statement of record shall contain the information and be accompanied by the documents specified hereinafter in this section—

(1) the name and address of each person having an interest in the lots in the subdivision to be covered by the statement of record and the extent of such interest;

(2) a legal description of, and a statement of the total area included in, the subdivision and a statement of the topography thereof, together with a map showing the division proposed and the dimensions of the lots to be covered by the statement of record and their relation to existing streets and roads;

(3) a statement of the condition of the title to the land comprising the subdivision, including all encumbrances and deed restrictions and covenants applicable thereto;

(4) a statement of the general terms and conditions, including the range of selling prices or rents at which it is proposed to dispose of the lots in the subdivision;

(5) a statement of the present condition of access to the subdivision, the availability of sewage disposal facilities and other public utilities (including water, electricity, gas, and telephone facilities) in the subdivision, the proximity in miles of the subdivision to nearby municipalities, and the nature of any improvements to be installed by the developer and his estimated schedule for completion;

(6) in the case of any subdivision or portion thereof against which there exists a blanket encumbrance, a statement of the consequences for an individual purchaser of a failure, by the person or persons bound, to fulfill obligations under the instrument or instruments creating such encumbrance and the steps, if any, taken to protect the purchaser in such eventuality;

(7) (A) copy of its articles of incorporation, with all amendments thereto, if the developer is a corporation; (B) copies of all instruments by which the trust is created or declared, if the developer is a trust; (C) copies of its articles of partnership or association and all other papers pertaining to its organization,

if the developer is a partnership, unincorporated association, joint stock company, or any other form of organization; and (D) if the purported holder of legal title is a person other than developer, copies of the above documents for such person;

(8) copies of the deed or other instrument establishing title to the subdivision in the developer or other person and copies of any instrument creating a lien or encumbrance upon the title of developer or other person, or copies of the opinion or opinions of counsel in respect to the title to the subdivision in the developer or other person, or copies of the title insurance policy guaranteeing such title;

(9) copies of all forms of conveyance to be used in selling or leasing lots to purchasers;

(10) copies of instruments creating easements or other restrictions;

(11) such certified and uncertified financial statements of the developer as the Secretary may require; and

(12) such other information and such other documents and certifications as the Secretary may require as being reasonably necessary or appropriate for the protection of purchasers.

TAKING EFFECT OF STATEMENTS OF RECORD AND AMENDMENTS THERETO

SEC. 1407. (a) Except as hereinafter provided, the effective date of a statement of record, or any amendment thereto, shall be the thirtieth day after the filing thereof or such earlier date as the Secretary may determine, having due regard to the public interest and the protection of purchasers. If any amendment to any such statement is filed prior to the effective date of the statement, the statement shall be deemed to have been filed when such amendment was filed; except that such an amendment filed with the consent of the Secretary, or filed pursuant to an order of the Secretary, shall be treated as being filed as of the date of the filing of the statement of record. When a developer records additional lands to be offered for disposition, he may consolidate the subsequent statement of record with any earlier recording offering subdivided land for disposition under the same promotional plan. At the time of consolidation the developer shall include in the consolidated statement of record any material changes in the information contained in the earlier statement.

(b) If it appears to the Secretary that a statement of record, or any amendment thereto, is on its face incomplete or inaccurate in any material respect, the Secretary shall so advise the developer within a reasonable time after the filing of the statement or the amendment, but prior to the date the statement or amendment would otherwise be effective. Such notification shall serve to suspend the effective date of the statement or the amendment until thirty days after the developer files such additional information as the Secretary shall require. Any developer, upon receipt of such notice, may request a hearing, and such hearing shall be held within twenty days of receipt of such request by the Secretary.

(c) If, at any time subsequent to the effective date of a statement of record, a change shall occur affecting any material fact required to be contained in the statement, the developer shall promptly file an amendment thereto. Upon receipt of any such amendment, the Secre-

tary may, if he determines such action to be necessary or appropriate in the public interest or for the protection of purchasers, suspend the statement of record until the amendment becomes effective.

(d) If it appears to the Secretary at any time that a statement of record, which is in effect, includes any untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein not misleading, the Secretary may, after notice, and after opportunity for hearing (at a time fixed by the Secretary) within fifteen days after such notice, issue an order suspending the statement of record. When such statement has been amended in accordance with such order, the Secretary shall so declare and thereupon the order shall cease to be effective.

(e) The Secretary is hereby empowered to make an examination in any case to determine whether an order should issue under subsection (d). In making such examination, the Secretary or anyone designated by him shall have access to and may demand the production of any books and papers of, and may administer oaths and affirmations to and examine, the developer, any agents, or any other person, in respect of any matter revelant to the examination. If the developer or any agents shall fail to cooperate, or shall obstruct or refuse to permit the making of an examination, such conduct shall be proper ground for the issuance of an order suspending the statement of record.

(f) Any notice required under this section shall be sent to or served on the developer or his authorized agent.

INFORMATION REQUIRED IN PROPERTY REPORT

SEC. 1408. (a) A property report relating to the lots in a subdivision shall contain such of the information contained in the statement of record, and any amendments thereto, as the Secretary may deem necessary, but need not include the documents referred to in paragraphs (7) to (11), inclusive, of section 1406. A property report shall also contain such other information as the Secretary may by rules or regulations require as being necessary or appropriate in the public interest or for the protection of purchasers.

(b) The property report shall not be used for any promotional purposes before the statement of record becomes effective and then only if it is used in its entirety. No person may advertise or represent that the Secretary approves or recommends the subdivision or the sale or lease of lots therein. No portion of the property report shall be underscored, italicized, or printed in larger or bolder type than the balance of the statement unless the Secretary requires or permits it.

COOPERATION WITH STATE AUTHORITIES

SEC. 1409. (a) In administering this title, the Secretary shall cooperate with State authorities charged with the responsibility of regulating the sale of lots in subdivisions which are also subject to this title and may accept for filing under section 1405 and declare effective as a statement of record, if he finds such action to be appropriate in the public interest or for the protection of purchasers, material filed with and found acceptable by such authorities.

(b) Nothing in this title shall affect the jurisdiction of the real estate commission (or any agency or office performing like functions) of any State over any subdivision or any person.

CIVIL LIABILITIES

SEC. 1410. (a) Where any part of the statement of record, when such part became effective, contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein, any person acquiring a lot in the subdivision covered by such statement of record from the developer or his agent during such period the statement remained uncorrected (unless it is proved that at the time of such acquisition he knew of such untruth or omission) may, either at law or in equity, in any court of competent jurisdiction, sue the developer.

(b) Any developer or agent, who sells or leases a lot in a subdivision—

(1) in violation of section 1404, or

(2) by means of a property report which contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein, may be sued by the purchaser of such lot.

(c) The suit authorized under subsection (a) or (b) may be to recover such damages as shall represent the difference between the amount paid for the lot and the reasonable cost of any improvements thereto, and the lesser of (1) the value thereof as of the time such suit was brought, or (2) the price at which such lot shall have been disposed of in a bona fide market transaction before suit, or (3) the price at which such lot shall have been disposed of after suit in a bona fide market transaction but before judgment.

(d) Every person who becomes liable to make any payment under this section may recover contribution as in cases of contract from any person who, if sued separately, would have been liable to make the same payment.

(e) In no case shall amount recoverable under this section exceed the sum of the purchase price of the lot, the reasonable cost of improvements, and reasonable court costs.

COURT REVIEW OF ORDERS

SEC. 1411. (a) Any person, aggrieved by an order or determination of the Secretary issued after a hearing, may obtain a review of such order or determination in the court of appeals of the United States, within any circuit wherein such person resides or has his principal place of business, or in the United States Court of Appeals for the District of Columbia, by filing in such court, within sixty days after the entry of such order or determination, a written petition praying that the order or determination of the Secretary be modified or be set aside in whole or in part. A copy of such petition shall be forthwith transmitted by the clerk of the court to the Secretary, and thereupon the Secretary shall file in the court the record upon which the order or determination complained of was entered, as provided in section 2112 of title 28, United States Code. No objection to an order or determination of the Secretary shall be considered by the court unless such objection shall have been urged before the Secretary. The finding of the Secretary as to the facts, if supported by substantial evidence, shall be conclusive. If either party shall apply to the court for leave to adduce additional evidence, and shall show to the satisfaction of the court that such additional evidence is material and that there

were reasonable grounds for failure to adduce such evidence in the hearing before the Secretary, the court may order such additional evidence to be taken before the Secretary and to be adduced upon a hearing in such manner and upon such terms and conditions as to the court may seem proper. The Secretary may modify his findings as to the facts by reason of the additional evidence so taken, and shall file such modified or new findings, which, if supported by substantial evidence, shall be conclusive, and his recommendation, if any, for the modification or setting aside of the original order. Upon the filing of such petition, the jurisdiction of the court shall be exclusive and its judgment and decree, affirming, modifying, or setting aside, in whole or in part, any order of the Secretary, shall be final, subject to review by the Supreme Court of the United States upon certiorari or certification as provided in section 1254 of title 28, United States Code.

(b) The commencement of proceedings under subsection (a) shall not, unless specifically ordered by the court, operate as a stay of the Secretary's order.

LIMITATION OF ACTIONS

SEC. 1412. No action shall be maintained to enforce any liability created under section 1410 (a) or (b) (2) unless brought within one year after the discovery of the untrue statement or the omission, or after such discovery should have been made by the exercise of reasonable diligence, or, if the action is to enforce a liability created under section 1401(b)(1), unless brought within two years after the violation upon which it is based. In no event shall any such action be brought by a purchaser more than three years after the sale or lease to such purchaser.

CONTRARY STIPULATIONS VOID

SEC. 1413. Any condition, stipulation, or provision binding any person acquiring any lot in a subdivision to waive compliance with any provision of this title or of the rules and regulations of the Secretary shall be void.

ADDITIONAL REMEDIES

SEC. 1414. The rights and remedies provided by this title shall be in addition to any and all other rights and remedies that may exist at law or in equity.

INVESTIGATIONS, INJUNCTIONS, AND PROSECUTION OF OFFENSES

SEC. 1415. (a) Whenever it shall appear to the Secretary that any person is engaged or about to engage in any acts or practices which constitute or will constitute a violation of the provisions of this title, or of any rule or regulation prescribed pursuant thereto, he may, in his discretion, bring an action in any district court of the United States, or the United States District Court for the District of Columbia to enjoin such acts or practices, and, upon a proper showing, a permanent or temporary injunction or restraining order shall be granted without bond. The Secretary may transmit such evidence as may be available concerning such acts or practices to the Attorney General who may, in his discretion, institute the appropriate criminal proceedings under this title.

(b) The Secretary may, in his discretion, make such investigations as he deems necessary to determine whether any person has violated

or is about to violate any provision of this title or any rule or regulation prescribed pursuant thereto, and may require or permit any person to file with him a statement in writing, under oath or otherwise as the Secretary shall determine, as to all the facts and circumstances concerning the matter to be investigated. The Secretary is authorized, in his discretion, to publish information concerning any such violations, and to investigate any facts, conditions, practices, or matters which he may deem necessary or proper to aid in the enforcement of the provisions of this title, in the prescribing of rules and regulations thereunder, or in securing information to serve as a basis for recommending further legislation concerning the matters to which this title relates.

(c) For the purpose of any such investigation, or any other proceeding under this title, the Secretary, or any officer designated by him, is empowered to administer oaths and affirmations, subpena witnesses, compel their attendance, take evidence, and require the production of any books, papers, correspondence, memorandums, or other records which the Secretary deems relevant or material to the inquiry. Such attendance of witnesses and the production of any such records may be required from any place in the United States or any State at any designated place of hearing.

(d) In case of contumacy by, or refusal to obey a subpena issued to, any person, the Secretary may invoke the aid of any court of the United States within the jurisdiction of which such investigation or proceeding is carried on, or where such person resides or carries on business, in requiring the attendance and testimony of witnesses and the production of books, papers, correspondence, memorandums, and other records and documents. And such court may issue an order requiring such person to appear before the Secretary or any officer designated by the Secretary, there to produce records, if so ordered, or to give testimony touching the matter under investigation or in question; and any failure to obey such order of the court may be punished by such court as a contempt thereof. All process in any such case may be served in the judicial district whereof such person is an inhabitant or wherever he may be found.

(e) No person shall be excused from attending and testifying or from producing books, papers, correspondence, memorandums, and other records and documents before the Secretary, or in obedience to the subpena of the Secretary or any officer designated by him, or in any cause or proceeding instituted by the Secretary, on the ground that the testimony or evidence, documentary or otherwise, required of him may tend to incriminate him or subject him to a penalty or forfeiture; but no individual shall be prosecuted or subject to any penalty or forfeiture for or on account of any transaction, matter, or thing concerning which he is compelled, after having claimed his privilege against self-incrimination, to testify or produce evidence, documentary or otherwise, except that such individual so testifying shall not be exempt from prosecution and punishment for perjury committed in so testifying.

ADMINISTRATION

Sec. 1416. (a) The authority and responsibility for administering this title shall be in the Secretary of Housing and Urban Develop-

ment who may delegate any of his functions, duties, and powers to employees of the Department of Housing and Urban Development or to boards of such employees, including functions, duties, and powers with respect to investigating, hearing, determining, ordering, or otherwise acting as to any work, business, or matter under this title. The persons to whom such delegations are made with respect to hearing functions, duties, and powers shall be appointed and shall serve in the Department in compliance with sections 3105, 3344, 5362, and 7521 of title 5 of the United States Code. The Secretary shall by rule prescribe such rights of appeal from the decisions of his hearing examiners to other hearing examiners or to other officers in the Department, to boards of officers or to himself, as shall be appropriate and in accordance with law.

(b) All hearings shall be public and appropriate records thereof shall be kept, and any order issued after such hearing shall be based on the record made in such hearing which shall be conducted in accordance with the provisions of the Administrative Procedure Act.

UNLAWFUL REPRESENTATIONS

SEC. 1417. The fact that a statement of record with respect to a subdivision has been filed or is in effect shall not be deemed a finding by the Secretary that the statement of record is true and accurate on its face, or be held to mean the Secretary has in any way passed upon the merits of, or given approval to, such subdivision. It shall be unlawful to make, or cause to be made, to any prospective purchaser any representation contrary to the foregoing.

PENALTIES

SEC. 1418. Any person who willfully violates any of the provisions of this title or the rules and regulations prescribed pursuant thereto, or any person who willfully, in a statement of record filed under, or in a property report issued pursuant to, this title, makes any untrue statement of a material fact or omits to state any material fact required to be stated therein, shall upon conviction be fined not more than $5,000 or imprisoned not more than five years, or both.

RULES, REGULATIONS, AND ORDERS

SEC. 1419. The Secretary shall have authority from time to time to make, issue, amend, and rescind such rules and regulations and such orders as are necessary or appropriate to the exercise of the functions and powers conferred upon him elsewhere in this title. For the purpose of his rules and regulations, the Secretary may classify persons and matters within his jurisdiction and prescribe different requirements for different classes of persons or matters.

JURISDICTION OF OFFENSES AND SUITS

SEC. 1420. (a) The district courts of the United States, the United States courts of any territory, and the United States District Court for the District of Columbia shall have juridiction of offenses and violations under this title and under the rules and regulations prescribed by the Secretary pursuant thereto, and, concurrent with State courts, of all suits in equity and actions at law brought to enforce

any liability or duty created by this title. Any such suit or action may be brought to enforce any liability or duty created by this title. Any such suit or action may be brought in the district wherein the defendant is found or is an inhabitant or transacts business, or in the district where the offer or sale took place, if the defendant participated therein, and process in such cases may be served in any other district of which the defendant is an inhabitant or wherever the defendant may be found. Judgments and decrees so rendered shall be subject to review as provided in sections 1254 and 1291 of title 28, United States Code. No case arising under this title and brought in any State court of competent jurisdiction shall be removed to any court of the United States, except where the United States or any officer or employee of the United States in his official capacity is a party. No costs shall be assessed for or against the Secretary in any proceeding under this titl brought by or against him in the Supreme Court or such other courts.

APPROPRIATIONS

SEC. 1421. There are authorized to be appropriated such sums as may be necessary to carry out this title.

EFFECTIVE DATE

SEC. 1422. This title shall take effect upon the expiration of two hundred and seventy days after the date of its enactment.

TITLE XV—MORTGAGE INSURANCE FOR NONPROFIT HOSPITALS

AMENDMENT TO NATIONAL HOUSING ACT

SEC. 1501. Title II of the National Housing Act is amended by adding at the end thereof (after the new section added by section 307 of this Act) the following new section:

"MORTGAGE INSURANCE FOR NONPROFIT HOSPITALS

"SEC. 242. (a) The purpose of this section is to assist the provision of urgently needed hospitals for the care and treatment of persons who are acutely ill or who otherwise require medical care and related services of the kind customarily furnished only (or most effectively) by hospitals.

"(b) For the purposes of this section—

"(1) the term 'hospital' means a facility—

"(A) which provides community service for inpatient medical care of the sick or injured (including obstetrical care);

"(B) not more than 50 per centum of the total patient days of which during any year are customarily assignable to the categories of chronic convalescent and rest, drug and alcoholic, epileptic, mentally deficient, mental, nervous and mental, and tuberculosis; and

"(C) which is owned and operated by one or more nonprofit corporations or associations no part of the net earnings of which inures, or may lawfully inure, to the benefit of any private shareholder or individual; and

"(2) the terms 'mortgage' and 'mortgagor' shall have the meanings respectively set forth in section 207(a) of this Act.

"(c) The Secretary is authorized to insure any mortgage (including advances on such mortgage during construction) in accordance with the provisions of this section upon such terms and conditions as he may prescribe and to make commitments for insurance of such mortgage prior to the date of its execution or disbursement thereon.

"(d) In order to carry out the purpose of this section, the Secretary is authorized to insure any mortgage which covers a new or rehabilitated hospital, including equipment to be used in its operation, subject to the following conditions:

"(1) The mortgage shall be executed by a mortgagor approved by the Secretary. The Secretary may in his discretion require any such mortgagor to be regulated or restricted as to charges and methods of financing, and, in addition thereto, if the mortgagor is a corporate entity, as to capital structure and rate of return. As an aid to the regulation or restriction of any mortgagor with respect to any of the foregoing matters, the Secretary may make such contracts with and acquire for not to exceed $100 such stock or interest in such mortgagor as he may deem necessary. Any stock or interest so purchased shall be paid for out of the General Insurance Fund, and shall be redeemed by the mortgagor at par upon the termination of all obligations of the Secretary under the insurance.

"(2) The mortgage shall involve a principal obligation in an amount not to exceed $25,000,000, and not to exceed 90 per centum of the estimated replacement cost of the property or project, including equipment to be used in the operation of the hospital, when the proposed improvements are completed and the equipment is installed.

"(3) The mortgage shall—

"(A) provide for complete amortization by periodic payments within such term as the Secretary shall prescribe, and

"(B) bear interest (exclusive of premium charges for insurance and service charges, if any) at not to exceed such per centum per annum (in excess of 6 per centum), on the amount of the principal obligation outstanding at any time, as the Secretary finds necessary to meet the mortgage market.

"(4) The Secretary shall not insure any mortgage under this section unless he has received, from the State agency designated in accordance with section 604(a)(1) of the Public Health Service Act for the State in which is located the hospital covered by the mortgage, a certification that (A) there is a need for such hospital, and (B) there are in force in such State or the political subdivision of the State in which the proposed hopsital would be located reasonable minimum standards of licensure and methods of operation for hospitals. No such mortgage shall be insured under this section unless the Secretary has received such assurance as he may deem satisfactory from the State agency that such standards will be applied and enforced with respect to any hospital located in the State for which mortgage insurance is provided under this section.

"(e) The Secretary may consent to the release of a part or parts of the mortgaged property or project from the lien of any mortgage insured under this section upon such terms and conditions as he may prescribe.

"(f) The activities and functions provided for in this section shall be carried out by the agencies involved so as to encourage programs that undertake responsibility to provide comprehensive health care, including outpatient and preventive care, as well as hospitalization, to a defined population.

"(g)(1) Notwithstanding any of the other provisions of this title, the Secretary may insure under this section a mortgage which provides permanent financing or refinancing of existing mortgage indebtedness in the case of a hospital whose permanent financing is presently lacking, if the construction of such hospital was completed between January 1, 1966, and the date of the enactment of this Act.

"(2) The aggregate principal balance of all mortgages insured under paragraph (1) and outstanding at any one time shall not exceed $20,000,000.

"(h) The provisions of subsections (d), (e), (g), (h), (i), (j), (k), (l), and (n) of section 207 shall apply to mortgages insured under this section and all references therein to section 207 shall be deemed to refer to this section."

LABOR STANDARDS

SEC. 1502. Section 212(a) of the National Housing Act is amended by inserting after the fifth sentence the following new sentence: "The provisions of this section shall also apply to the insurance of any mortgage under section 242, except that compliance with such provisions may be waived by the Secretary in cases or classes of cases where laborers or mechanics, not otherwise employed at any time on the project, voluntarily donate their services without compensation for the purpose of lowering the costs of construction and the Secretary determines that any amounts thereby saved are fully credited to the nonprofit corporation or association undertaking the construction; and each laborer or mechanic employed on any facility covered by a mortgage insured under section 242 shall receive compensation at a rate not less than one and one-half times his basic rate of pay for all hours worked in any workweek in excess of eight hours in any workday or forty hours in the workweek, as the case may be."

TITLE XVI—HOUSING GOALS AND ANNUAL HOUSING REPORT

REAFFIRMATION OF GOAL

SEC. 1601. The Congress finds that the supply of the Nation's housing is not increasing rapidly enough to meet the national housing goal, established in the Housing Act of 1949, of the "realization as soon as feasible of the goal of a decent home and a suitable living environment for every American family". The Congress reaffirms this national housing goal and determines that it can be substantially achieved within the next decade by the construction or rehabilitation of twenty-six million housing units, six million of these for low and moderate income families.

REPORT OUTLINING PLAN

SEC. 1602. Not later than January 15, 1969, the President shall make a report to the Congress setting forth a plan, to be carried out over

a period of ten years (June 30, 1968, to June 30, 1978), for the elimination of all substandard housing and the realization of the goal referred to in section 1601. Such plan shall—

(1) indicate the number of new or rehabilitated housing units which it is anticipated will have to be provided, with or without Government assistance, during each fiscal year of the ten-year period, in order to achieve the objectives of the plan, showing the number of such units which it is anticipated will have to be provided under each of the various Federal programs designed to assist in the provision of housing;

(2) indicate the reduction in the number of occupied substandard housing units which it is anticipated will have to occur during each fiscal year of the ten-year period in order to achieve the objectives of the plan;

(3) provide an estimate of the cost of carrying out the plan for each of the various Federal programs and for each fiscal year during the ten-year period to the extent that such costs will be reflected in the Federal budget;

(4) make recommendations with respect to the legislative and administrative actions necessary or desirable to achieve the objectives of the plan; and

(5) provide such other pertinent data, estimates, and recommendations as the President deems advisable.

Such report shall, in addition, contain a projection of the residential mortgage market needs and prospects during the coming year, including an estimate of the requirements with respect to the availability, need, and flow of mortgage funds (particularly in declining urban and rural areas) during such year, together with such recommendations as may be deemed appropriate for encouraging the availability of such funds.

PERIODIC REPORTS

SEC. 1603. On January 15, 1970, and on each succeeding year through 1979, the President shall submit to the Congress a report which shall—

(1) compare the results achieved during the preceding fiscal year for the completion of new or rehabilitated housing units and the reduction in occupied substandard housing with the objectives established for such year under the plan;

(2) if the comparison provided under clause (1) shows a failure to achieve the objectives set for such year, indicate (A) the reasons for such failure; (B) the steps being taken to achieve the objectives of the plan during each of the remaining fiscal years of the ten-year period; and (C) any necessary revision in the objectives established under the plan for each such year;

(3) project residential mortgage market needs and prospects for the coming calendar year including an estimate of the requirements with respect to the availability, need, and flow of mortgage funds (particularly in declining urban and rural areas) during such period, in order to achieve the objectives of the plan;

(4) provide an analysis of the monetary and fiscal policies of the Government for the coming calendar year required to achieve the objectives of the plan and the impact upon the domestic economy of achieving the plan's objectives for such period;

(5) make recommendations with respect to any additional legislative or administrative action which is necessary or desirable to achieve the objectives of the plan; and

(6) provide such other pertinent data, estimates, and recommendations as the President deems advisable.

COMMISSION ON MORTGAGE INTEREST RATES

SEC. 1604. Funds appropriated and available for studies of housing markets and credit as authorized by section 301 of the Housing Act of 1948 and section 602(a) of the Housing Act of 1956 shall be available for expenses of the Commission established by section 4(b) of Public Law 90–301, including the report required to be rendered by such Commission.

TITLE XVII—MISCELLANEOUS

MODEL CITIES

SEC. 1701. (a) Section 111(a) of the Demonstration Cities and Metropolitan Development Act of 1966 is amended—

(1) by striking out "and" the third time it appears; and

(2) by inserting before the period at the end thereof ", and not to exceed $12,000,000 for the fiscal year ending June 30, 1969".

(b) Section 111(b) of such Act is amended—

(1) by striking out "and" the third time it appears; and

(2) by inserting before the period at the end thereof ", and not to exceed $1,000,000,000 for the fiscal year ending June 30, 1970".

(c) Section 111(c) of such Act is amended to read as follows:

"(c) Any amounts appropriated under this section shall remain available until expended, and any amounts authorized for any fiscal year under this section but not appropriated may be appropriated for any succeeding fiscal year commencing prior to July 1, 1970."

URBAN RENEWAL DEMONSTRATION GRANT PROGRAM

SEC. 1702. (a) Section 314(a) of the Housing Act of 1954 is amended—

(1) by striking out in the first sentence "to public bodies, including cities and other political subdivisions," and inserting in lieu thereof "to public bodies (including cities and other political subdivisions) and nonprofit organizations,";

(2) by inserting after the first sentence the following: "In the case of any such grant to a nonprofit organization, the Secretary shall require that the assisted activities and undertakings are not inconsistent with the program of the local public agency."; and

(3) by striking out in the second sentence "No such grant shall exceed two-thirds of the cost, as determined or estimated by said Secretary, of such activities or undertakings," and inserting in lieu thereof the following: "No such grant shall exceed 90 per centum of the cost, as determined or estimated by the Secretary, of the assisted activities or undertakings,".

(b) Section 314(c) of such Act is amended by striking out "$10,000,000" and inserting in lieu thereof "$20,000,000".

AUTHORIZATION FOR URBAN INFORMATION AND TECHNICAL ASSISTANCE SERVICES PROGRAM

SEC. 1703. (a) The first sentence of section 906 of the Demonstration Cities and Metropolitan Development Act of 1966 is amended by striking out "and not to exceed $5,000,000 for the fiscal year ending June 30, 1968" and inserting in lieu thereof "not to exceed $5,000,000 for each of the fiscal years 1968 and 1969, and not to exceed $15,000,000 for fiscal year 1970".

(b) The second sentence of section 906 of such Act is amended to read as follows: "Any amounts appropriated under this section shall remain available until expended, and any amounts authorized for any fiscal year under this section but not appropriated may be appropriated for any succeeding fiscal year commencing prior to July 1, 1970."

ADVANCES IN TECHNOLOGY IN HOUSING AND URBAN DEVELOPMENT

SEC. 1704. (a) Section 1010(d) of the Demonstration Cities and Metropolitan Development Act of 1966 is amended by inserting before the period at the end of the first sentence the following: ", and not to exceed such sums for subsequent fiscal years as may be necessary".

(b) Section 1010(c) of such Act is amended by striking out "two years" in the second sentence and inserting in lieu thereof "four years".

(c) Section 1010(a) of such Act is amended—

(1) by striking out "and" at the end of paragraph (1);

(2) by striking out the period at the end of paragraph (2) and inserting in lieu thereof "; and"; and

(3) by adding after paragraph (2) a new paragraph as follows:

"(3) require, to the greatest extent feasible, the employment of new and improved technology, techniques, materials, and methods in housing construction, rehabilitation, and maintenance under programs administered by the Department of Housing and Urban Development with a view to reducing the cost of such construction, rehabilitation, and maintenance, and stimulating the increased and sustained production of housing under such programs."

COLLEGE HOUSING

SEC. 1705. (a) The heading of section 401 of the Housing Act of 1950 is amended by striking out "LOANS" and inserting in lieu thereof "ASSISTANCE IN THE FORM OF LOANS OR ANNUAL GRANTS".

(b) Section 401(a) of such Act is amended to read as follows:

"(a) To assist educational institutions in providing housing and other educational facilities for students and faculties, the Secretary may make loans of funds to such institutions for the construction or purchase of such facilities or may, as an alternative to all or part of the loan (in the case of any such institution), make annual grants to the institution to reduce the cost of its borrowing from other sources for such construction or purchase: Provided, That no such assistance shall be provided unless (1) the educational institution involved is unable to secure the necessary funds for the construction or purchase from other sources upon terms and conditions equally as favorable as the terms and conditions applicable to loans under this title, and (2)

the Secretary finds that any such construction will be undertaken in an economical manner, and that any such facilities are not or will not be of elaborate or extravagant design or materials."

(c) Section 401(c) of such Act is amended—

(1) by inserting "(1)" after "(c)";

(2) by striking out "of (1)" and "or (2)" and inserting in lieu thereof "of (A)" and "or (B)", respectively; and

(3) by adding at the end thereof the following new paragraph:

"(2) Annual grants to an educational institution with respect to any housing or other educational facilities shall be made over a fixed period not exceeding 40 years, and provision for such grants shall be embodied in a contract guaranteeing their payment over such period. Each such grant shall be in an amount equal to the difference between (A) the average annual debt service which would be required to be paid, during the life of the loan, on the amount borrowed from other sources for the construction or purchase of such facilities, and (B) the average annual debt service which the institution would have been required to pay, during the life of the loan, with respect to such amount if the applicable interest rate were the rate specified in paragraph (1): Provided, That the amount on which such grant is based shall be approved by the Secretary but in no event shall exceed the total development cost of the facilities."

(d) Section 401(d) of such Act is amended by inserting "(1)" after "(d)", and by adding at the end thereof the following new paragraph:

"(2) There are hereby authorized to be appropriated to the Secretary such sums as may be necessary, together with loan principal and interest payments made by educational institutions assisted with loans made hereunder, for payments on notes or other obligations issued by the Secretary under this section."

(e) Section 401(f) of such Act is amended to read as follows:

"(f)(1) There are hereby authorized to be appropriated to the Secretary such sums as may be necessary for the payment of annual grants to educational institutions in accordance with this section.

"(2) Contracts for annual grants under this section shall not be entered into in an aggregate amount greater than is authorized in appropriation Acts; and in any event the total amount of annual grants which may be paid to educational institutions in any year pursuant to contracts entered into under this section shall not exceed $10,000,000, which amount shall be increased by $10,000,000 on July 1, 1969."

(f) Section 403 of such Act is amended by striking out "the funds provided for in this title in the form of loans" and inserting in lieu thereof "the amount of the funds provided for in this title in the form of loans, and not more than 12½ per centum of the funds provided for in this title for grants,".

(g)(1) Section 401(g) of such Act is amended to read as follows:

"(g) Except as otherwise provided in the second paragraph of section 404(b), in the case of any loan which is made under this section to a nonprofit student housing cooperative corporation referred to in clause (5) of section 404(b), or which is obtained from other sources by such a corporation and is the subject of a contract for annual grants entered into under this section, the Secretary shall require that the note securing such loan be cosigned by the educational institution (referred to in clause (1) of such section) at which such corporation

is located, and that, in the event of the dissolution of such corporation, title to the housing constructed with such loan will vest in such educational institution."

(2) Section 404(a) of such Act is amended by inserting "or existing" immediately after "new".

(3) Clause (3)(B) of section 404(b) of such Act is amended by striking out "of any loan secured under this title" and inserting in lieu thereof the following: "of any loan which is made under section 401, or is the subject of a contract for annual grants entered into under section 401,".

(4) Clause (4) of section 404(b) of such Act is amended by striking out "to obtain loans" and inserting in lieu thereof "to obtain loans or grants".

(5) The second paragraph of section 404(b) of such Act is amended by inserting after "clause (5) of this subsection," the following: "and in the case of any loan which is obtained from other sources by such a corporation and is the subject of a contract for annual grants entered into under section 401,".

(6) Section 404(c) of such Act is amended by inserting before the period at the end thereof the following: "; except that in the case of the purchase of facilities such term means the cost as approved by the Secretary".

(7) Section 404(h) of such Act is amended by inserting "or existing" immediately after "new".

(h) The last sentence of paragraph "Seventh" of section 5136 of the Revised Statutes (12 U.S.C. 24) (appearing immediately before the sentence added by section 911 of this Act) is amended by inserting after "the Asian Development Bank" the following: ", or obligations issued by any State or political subdivision or any agency of a State or political subdivision for housing, university, or dormitory purposes,".

HOUSING FOR THE ELDERLY

SEC. 1706. Section 202(a) of the Housing Act of 1959 is amended—

(1) by inserting in paragraph (1) after "corporations," the following: "limited profit sponsors,";

(2) by inserting in paragraph (2) after "(as defined in subsection (d)(2))," the following: "to any limited profit sponsor approved by the Secretary,"; and

(3) by inserting in paragraph (3) after "Secretary" the following: ", except that in the case of other than a corporation, consumer cooperative, or public body or agency the amount of the loan shall not exceed 90 per centum of the development cost".

FEDERAL-STATE TRAINING PROGRAMS

SEC. 1707. (a) Title VIII of the Housing Act of 1964 is amended—

(1) by inserting after "urban centers," in section 801(b) the following: "and with business firms and associations, labor unions, and other interested associations and organizations"; and

(2) by striking out "technical and professional people" in sections 801(b)(1) and 802(a)(1) and inserting in lieu thereof "technical, professional, and other persons with the capacity to master and employ such skills"; and

(3) by inserting after "which has responsibility for community development" in sections 801(b)(1) and 802(a)(1) the following: ", or by a private nonprofit organization which is conducting or has responsibility for housing and community development programs".

(b) Section 805 of such Act is amended by inserting "Guam, American Samoa, the Trust Territory of the Pacific Islands," after "the Commonwealth of Puerto Rico,".

ADDITIONAL ASSISTANT SECRETARY OF HOUSING AND URBAN DEVELOPMENT

SEC. 1708. (a) The first sentence of section 4(a) of the Department of Housing and Urban Development Act is amended by striking out "five" and inserting in lieu thereof "six".

(b) Paragraph (87) of section 5315 of title 5, United States Code, is amended by striking out "(4)" and inserting in lieu thereof "(6)".

INTERNATIONAL HOUSING

SEC. 1709. Section 604 of the Housing Act of 1957 is amended to read as follows:

SEC. 604. (a) The Secretary of Housing and Urban Development may exchange data relating to housing and urban planning and development with other nations and assemble such data from other nations, through participation in international conferences and other means, where such exchange or assembly is deemed by him to be beneficial in carrying out his responsibilities under the Department of Housing and Urban Development Act or other legislation. In carrying out his responsibilities under this subsection the Secretary may—

"(1) pay the expenses of participation in activities conducted under authority of this section including, but not limited to, the compensation, travel expenses, and per diem in lieu of subsistence of persons serving in an advisory capacity while away from their homes or regular places of business in connection with attendance at international meetings and conferences, or other travel for the purpose of exchange or assembly of data relating to housing and urban planning and development; but such travel expenses shall not exceed those authorized for regular officers and employees traveling in connection with said activities; and

"(2) accept from international organizations, foreign countries, and private nonprofit foundations, funds, services, facilities, materials, and other donations to be utilized jointly in carrying out activities under this section.

"(b) International programs and activities carried out by the Secretary under the authority provided in subsection (a) shall be subject to the approval of the Secretary of State for the purpose of assuring that such authority shall be exercised in a manner consistent with the foreign policy of the United States."

ELIGIBILITY FOR RENT SUPPLEMENT PAYMENTS

SEC. 1710. Notwithstanding any other provision of law respecting the date after which a mortgage must have been approved for mortgage insurance under section 221(d)(3) of the National Housing Act, the Secretary of Housing and Urban Development is authorized to

make, and contract to make, rent supplement payments under the provisions of section 101 of the Housing and Urban Development Act of 1965 to the owners of the housing projects known as the 114th Street rehabilitation project and the 114th Street rehabilitation project numbered 2, in New York City, New York (project numbers 012–33501 and 012–33512).

CONSOLIDATION OF LOW-RENT PUBLIC HOUSING PROJECTS IN THE DISTRICT OF COLUMBIA

SEC. 1711. All projects now operated and maintained by the National Capital Housing Authority pursuant to title I of the District of Columbia Alley Dwelling Act are deemed to be low-rent housing projects and may be consolidated, pursuant to section 15(6) of the United States Housing Act of 1937, into any contract for annual contributions covering projects maintained and operated pursuant to title II of the District of Columbia Alley Dwelling Act.

URBAN RENEWAL PROJECT IN GARDEN CITY, MICHIGAN

SEC. 1712. Notwithstanding the date of commencement of construction of the Florence Primary School in Garden City, Michigan, local expenditures made in connection with such school shall, to the extent otherwise eligible, be counted as a local grant-in-aid toward the Cherry Hill urban renewal project (Mich. R–46) for purposes of title I of the Housing Act of 1949.

URBAN RENEWAL PROJECT IN SACRAMENTO, CALIFORNIA

SEC. 1713. Notwithstanding the date of commencement of construction of the storm drainage system in the Capitol Mall Riverfront urban renewal project (Calif. R–67) in Sacramento, California, local expenditures made in connection with such storm drainage system located in that project shall, to the extent otherwise eligible, be counted as a local grant-in-aid toward that project for purposes of title I of the Housing Act of 1949.

SELF-HELP STUDIES

SEC. 1714. (a) Section 207 of the Housing Act of 1961 is amended by inserting after the words "improved means" the following: ", including the study of self-help in the construction, rehabilitation, and maintenance of housing for low-income persons and families and the methods of selecting, involving, and directing such persons and families in self-help activities,".

(b) The Secretary of Housing and Urban Development shall make a report to the Congress, within one year after the date of enactment of this Act, setting forth the results of the self-help studies and demonstrations carried out under section 207 of the Housing Act of 1961, together with such recommendations as he deems appropriate.

EARTHQUAKE STUDY

SEC. 1715. Section 5 of the Southeast Hurricane Disaster Relief Act of 1965 is amended by striking out "three years after the appropriation of funds for this study" and inserting in lieu thereof "June 30, 1969".

SEC. 1716. (a) Section 5(b) of the Home Owners' Loan Act of 1933 is amended to read as follows:

"(b) (1) An association may raise capital in the form of such savings deposits, shares, or other accounts, for fixed, minimum, or indefinite periods of time (all of which are referred to in this section as savings accounts and all of which shall have the same priority upon liquidation) as are authorized by its charter or by regulations of the Board, and may issue such passbooks, time certificates of deposit, or other evidence of savings accounts as are so authorized. Holders of savings accounts and obligors of an association shall, to such extent as may be provided by its charter or by regulations of the Board, be members of the association, and shall have such voting rights and such other rights as are thereby provided. Except as may be otherwise authorized by the association's charter or regulation of the Board in the case of savings accounts for fixed or minimum terms of not less than thirty days, the payment of any savings account shall be subject to the right of the association to require such advance notice, not less than thirty days, as shall be provided for by the charter of the association or the regulations of the Board. The payment of withdrawals from savings accounts in the event an association does not pay all withdrawals in full (subject to the right of the association to require notice) shall be subject to such rules and procedures as may be prescribed by the association's charter or by regulation of the Board, but any association which, except as authorized in writing by the Board, fails to make full payment of any withdrawal when due shall be deemed to be in an unsafe or unsound condition to transact business within the meaning of subsection (d) of this section. Savings accounts shall not be subject to check or to withdrawal or transfer on negotiable or transferable order or authorization to the association, but the Board may by regulation provide for withdrawal or transfer of savings accounts upon nontransferable order or authorization.

"(2) To such extent as the Board may authorize by regulation or advice in writing, an association may borrow, may give security, and may issue such notes, bonds, debentures, or other obligations, or other securities (except capital stock) as the Board may so authorize."

(b) Section 5(c) of the Home Owners' Loan Act of 1933 is amended—

(1) by striking out "shares" in the first sentence and inserting in lieu thereof "savings accounts"; and

(2) by inserting after the first semicolon in the second proviso the following words: "or in time deposits, certificates, or accounts of any bank the deposits of which are insured by the Federal Deposit Insurance Corporation;".

(c) Section 5(c) of such Act is amended by inserting in the second paragraph after "property alteration, repair, or improvement" the following: ", including the construction of new structures related to residential use of the property".

(d) Section 5(c) of such Act is amended by adding immediately after the second paragraph thereof the following new paragraph:

"Without regard to any other provision of this subsection, but subject to such prohibitions, limitations, and conditions as the Board may

by regulation prescribe, any such association may make and invest in—

"(A) any loan not exceeding $5,000 made for the repair, equipping, alteration, or improvement of any real property, or

"(B) any loan made for the purpose of mobile home financing."

(e) The first sentence of the paragraph which, prior to the amendments made by this Act, was the next to the last paragraph of section 5(c) of such Act is amended—

(1) by inserting "(1)" immediately before "invest";

(2) by striking out "(1)" before "secured";

(3) by inserting ", now or hereafter in effect," after "National Housing Act"; and

(4) by striking out all that follows "(2)" and inserting in lieu thereof the following: "acquire and hold investments in housing project loans, or interests therein, having the benefit of any guaranty under section 221 of the Foreign Assistance Act of 1961, as now or hereafter in effect, or loans, or interests therein, having the benefit of any guaranty under section 224 of such Act, or any commitment or agreement with respect to such loans, or interests therein, made pursuant to either of such sections."

(f) Section 5(c) of such Act is amended by adding immediately before the last paragraph thereof the following new paragraph:

"Any such association may invest in loans, or interests in loans, to financial institutions with respect to which the United States or any agency or instrumentality thereof has any function of examination or supervision, or to any broker or dealer registered with the Securities and Exchange Commission, secured by loans, obligations, or investments in which it has any statutory authority to invest directly."

FEDERAL HOME LOAN BANK ACT

SEC. 1717. Section 12 of the Federal Home Loan Bank Act, as amended (12 U.S.C. 1432), is amended by inserting "(a)" after "SEC. 12.", and by adding at the end thereof a new subsection as follows:

"(b) Subject to such regulations as may be prescribed by the Board, one or more Federal home loans banks may acquire, hold, or dispose of, in whole or in part, or facilitate such acquisition, holding, or disposition by members of any such bank of, housing project loans, or interests therein, having the benefit of any guaranty under section 221 of the Foreign Assistance Act of 1961, as now or hereafter in effect, or loans, or interests therein, having the benefit of any guaranty under section 224 of such Act, or any commitment or agreement with respect to such loans, or interests therein, made pursuant to either of such sections."

FEDERAL RESERVE ACT

SEC. 1718. Section 24 of the Federal Reserve Act, as amended (12 U.S.C. 371), is amended—

(1) by striking out "twenty-four months", wherever it appears in the third paragraph and inserting in lieu thereof "thirty-six months";

(2) by striking out "when the entire amount of such obligation is sold to the association", wherever it appears in the first and second paragraphs, and inserting in lieu thereof "in whole or in part and at any time or times prior to the maturity of such obligation"; and

(3) by striking out the last paragraph and inserting in lieu thereof the following:

"Loans made to any borrower (i) where the association looks for repayment by relying primarily on the borrower's general credit standing and forecast of income, with or without other security, or (ii) where the association relies on other security as collateral for the loans (including but not limited to a guaranty of a third party), and where, in either case described in clause (i) or (ii) above, the association wishes to take a mortgage, deed of trust, or other instrument upon real estate (whether or not constituting a first lien) as a precaution against contingencies, such loans shall not be considered as real estate loans within the meaning of this section but shall be classed as ordinary non-real-estate loans."

LOW-RENT PUBLIC HOUSING—CORPORATE STATUS

SEC. 1719. (a) The first sentence of section 3 of the United States Housing Act of 1937 is amended by striking "a body corporate of perpetual duration to be known as".

(b) Section 17 of such Act is repealed. The capital stock referred to in such section shall be retired, and sum of $1,000,000 represented by such stock shall be returned to the Treasury of the United States.

(c) Such Act is amended by adding a new section 17 as follows:

"SEC. 17. In the performance of, and with respect to, functions powers, and duties under this Act, the Secretary shall have (in addition to any authority otherwise vested in him) the functions, powers, and duties set forth in subsections (a), (b), and (e) of section 402 of the Housing Act of 1950."

(d) Section 101 of the Government Corporation Control Act is amended by striking out "United States Housing Authority and including public housing projects financed through appropriated funds and operations thereof;".

SPECIAL STUDIES OF SAVINGS AND LOAN INDUSTRY

SEC. 1720. That part of chapter IV of the Second Supplemental Appropriation Act, 1966, which relates to expenses necessary for special studies of the savings and loan industry is amended by striking out "1968" and inserting "1969".

SMALL BUSINESS ACT

SEC. 1721. Subsection (a) of section 4 of the Small Business Act is amended by inserting immediately after "the Commonwealth of Puerto Rico," the following: "the Trust Territory of the Pacific Islands,".

TECHNICAL AMENDMENTS

SEC. 1722. (a) Section 110(c) of the Housing Act of 1949 is amended by striking out "paragraphs (7), (8), and (9)" in the second unnumbered paragraph following the numbered paragraphs and inserting in lieu thereof "paragraphs (7), (8), (9), and (10)".

(b) Section 110(d) of the Housing Act of 1949 is amended by striking out "clauses (2), (3)" and inserting in lieu thereof "clauses (2), (3), (7)".

(c) Section 110(e) of the Housing Act of 1949 is amended by striking out "and (9)" in clause (i) and inserting in lieu thereof "(9), and (10)".

(d) Section 1101(c)(3) of the National Housing Act is amended by inserting "from the beginning of amortization of the mortgage" immediately after "twenty-five years".

(e) Section 213(o) of the National Housing Act is amended by adding at the end thereof four new sentences as follows: "Moneys in the Cooperative Management Housing Insurance Fund not needed for current operations of the fund shall be deposited with the Treasurer of the United States to the credit of the Cooperative Management Housing Insurance Fund or invested in bonds or other obligations of, or in bonds or other obligations guaranteed as to principal and interest by, the United States. The Secretary may, with the approval of the Secretary of the Treasury, purchase in the open market debentures which are the obligations of the Cooperative Management Housing Insurance Fund. Such purchases shall be made at a price which will provide an investment yield of not less than the yield obtainable from other investments authorized by this subsection. Debentures so purchased shall be canceled and not reissued."

(f) Section 810(e) of the National Housing Act is amended—

(1) by striking out "private corporation, association, cooperative society, or trust" in the first sentence and inserting in lieu thereof "mortgagor approved by the Secretary", and

(2) by striking out "corporation, association, cooperative society, or trust" in the third and fourth sentences and inserting in lieu thereof "mortgagor".

(g) Section 220(d)(2)(B) of the National Housing Act is amended by striking out "corporations restricted by" and inserting in lieu thereof "corporations or other legal entities restricted by or under".

And the House agree to the same.

WRIGHT PATMAN,
WILLIAM A. BARRETT,
LEONOR K. SULLIVAN,
HENRY S. REUSS,
THOMAS L. ASHLEY,
WILLIAM S. MOORHEAD,
WILLIAM B. WIDNALL,
FLORENCE P. DWYER,
GARRY BROWN,
Managers on the Part of the House.

JOHN SPARKMAN,
WILLIAM PROXMIRE,
HARRISON A. WILLIAMS, Jr.
EDMUND S. MUSKIE,
WALLACE F. BENNETT,
JOHN G. TOWER,
CHARLES H. PERCY,
Managers on the Part of the Senate.

STATEMENT OF THE MANAGERS ON THE PART OF THE HOUSE

The managers on the part of the House at the conference on the disagreeing votes of the two Houses on the amendment of the House to the bill (S. 3497) to assist in the provision of housing for low and moderate income families, and to extend and amend laws relating to housing and urban development, submit the following statement in explanation of the effect of the action agreed upon by the conferees and recommended in the accompany conference report:

The House struck out all of the Senate bill after the enacting clause and inserted a substitute amendment. The committee of conference has agreed to a substitute for both the House amendment and the Senate bill. Except for technical, clarifying, and conforming changes, the following statement explains the differences between the House amendment and the substitute agreed to in conference.

Employment opportunities

The Senate bill contained a provision not in the House amendment requiring consultation with the Secretary of Labor, and covered "training", "planning", and "operation of housing", in addition to employment in construction and rehabilitation. The Senate bill also contained a provision directing the awarding of contracts to the greatest extent feasible to business concerns in the area of such programs in consultation with the Administrator of the Small Business Administration. The conference report contains the Senate provisions.

Annual report on program administration and management

The House amendment contained a provision requiring annual reports beginning with an interim report on January 15, 1969, to the Banking and Currency Committees of the House and Senate on areas of program administration and management which require improvement. The conference substitute contains the House provision but requires only two reports, the first as early as practicable in calendar year 1969, and the second in calendar year 1970.

Title I—Lower Income Housing

Homeownership for lower income families

The Senate bill describes the title of section 101 as "Homeownership for Lower Income Families". The section title of the House amendment was "Homeownership for Low and Moderate Income Families". The conference substitute conforms to the Senate bill.

Family income ceiling

The Senate bill limited eligibility for interest rate subsidies to families with incomes less than 70 percent of section 221(d)(3) BMIR program except that 20 percent of the funds could be used for families with incomes exceeding that limit. The House amend-

ment limited initial eligibility and continued assistance to families with incomes less than 130 percent of income levels of continued occupancy in the area which can be established pursuant to the public housing law.

The conference substitute provides the following income limits: For 80 percent of the funds authorized, the income limit is 135 percent of the public housing level in the area for initial occupancy, plus $300 per minor child. For the remaining 20 percent of the funds authorized, the income limit is 90 percent of the maximum levels established in the area under the Below Market Interest Rate program, plus $300 per minor child.

The conference substitute also directs the Secretary to the maximum extent practicable to use the authorized funds for the lowest income families for whom homeownership is practicable.

The conference substitute also requires an annual report by the Secretary to the Banking and Currency Committees of the Senate and House on the income groups being served by the program.

Deduction for children

The Senate bill contained a deduction of $300 per minor child from family income for purposes of determining monthly payment as well as income eligibility. The House amendment allowed a $200 deduction from family income in determining the monthly payment. The conference substitute contains the Senate provision.

Downpayment

The Senate bill contained a provision permitting a $200 downpayment for families whose incomes are below 70 percent of section 221(d)(3) level, and 3 percent downpayment for all others. The House amendment permitted $200 downpayment for displaced families, and 3 percent for others.

The conference substitute provides for a $200 downpayment for families receiving subsidy assistance whose incomes fall below the ceiling of 135 percent of public housing initial occupancy income levels, and a 3 percent downpayment for all others.

Eligibility of standard existing housing

The Senate bill contained a provision which limited eligibility generally to new and rehabilitated housing but made exceptions with respect to standard existing housing as follows:

a. Displaced families.
b. Families with five or more minors.
c. Families occupying public housing.
d. A dwelling unit in a rent supplement project.
e. A dwelling unit in a section 236 project.

However, assistance for standard existing housing including the above categories but not limited to them cannot exceed—

a. 25 percent of funds for fiscal year 1969;
b. 15 percent of funds for fiscal year 1970;
c. 10 percent of funds for fiscal year 1971.

The House amendment placed no statutory restrictions on existing structures, provided they met standards prescribed by Secretary of HUD, or if assistance payments are made on behalf of the previous owner who purchased the unit from a nonprofit organization pursuant to 235(j).

The conference substitute conforms to the Senate provision except that it retains the provision in the House amendment extending eligibility for existing housing if assistance payments are made on behalf of a family who purchased the unit from a nonprofit organization pursuant to section 235(j) and other standard housing aided under section 235(j).

Preference for benefits

The House amendment contained a provision which would have provided a general preference for displaced families, families with five or more minors and families occupying public housing. The Senate bill did not contain this provision and none is contained in the conference substitute.

Eligibility of cooperative members

The Senate bill contained a provision permitting payments to an otherwise eligible cooperative member who receives membership by transfer from an initial member who received assistance payments under the program. This provision, not contained in the House amendment, is contained in the conference substitute.

Interest subsidy benefits for housing purchased by nonprofit organizations for resale to lower income families under the new section 235(j)

(*a*) *Sponsor.*—The Senate bill contained a provision permitting sponsorship by public bodies or agencies as well as by nonprofit organizations. The House amendment limited sponsorship to nonprofit organizations. The conference substitute conforms to the Senate bill.

(*b*) *Type of housing.*—The Senate bill contained a provision limiting this program to substandard housing in need of rehabilitation. The House amendment made eligible the purchase and resale of existing standard housing as well as a two-family dwelling, one unit of which will be occupied by the purchaser. The conference substitute conforms to the House amendment except that eligibility (in the case of standard housing) is to be confined to the type of neighborhoods in which the present section 221(h) program operates.

(*c*) *Subsidy payment.*—The Senate bill contained a provision authorizing payments to lower income families purchasing and occupying units sold by a nonprofit organization. The House amendment authorized payments to low and moderate income families who either purchased the unit from the nonprofit group or purchased by assumption from the previous owner who received assistance payments. The conference substitute conforms to the House amendment but confines eligibility to lower income families.

(*d*) *Price of individual unit sold by nonprofit sponsor.*—The Senate bill contained a provision authorizing a fixed price based on the allocable share of the unpaid mortgage plus at least $200 in cash or its equivalent. The House amendment contained a similar provision except it contained no provision for paying the $200 in the equivalent of cash. The conference substitute conforms to the Senate bill.

The section 221(h) rehabilitation program for subsequent resale to low income families

(*a*) *Interest rate.*—The House amendment contained a provision not in the Senate bill which would authorize the Secretary to set interest

rates as low as 1%. The conference substitute adopts the House provision but requires the Secretary to raise the rate as high as 3% if subsequent income review shows an increase in the homeowner's income.

(*b*) *New authority for rehabilitation and refinancing of existing indebtedness.*—The House amendment contained a provision not in the Senate bill authorizing the Secretary to insure mortgages for rehabilitation and refinancing under the following conditions:

(1) Maximum mortgage $15,000.
(2) Interest rate between 1 and 3 percent depending on income.
(3) Reasonable downpayment as determined by the Secretary, but at least $200.
(4) Family income cannot exceed local public housing level.

The conference substitute contains the provision in the House amendment except that the refinancing authority which will be available is limited to a period of one year following enactment and requires the Secretary to raise the rate as high as 3 percent if subsequent income review shows an increase in the homeowner's income.

Credit assistance

Both the House and Senate bills authorized FHA mortgage insurance for marginal credit risks who could be qualified for mortgage credit with the aid of counseling. The Senate bill limited such insurance to $200 million outstanding while the House bill imposed a limit of $100 million. The conference substitute conforms to the Senate bill.

Special risk insurance fund

The House bill contained a provision, not in the Senate bill, requiring an annual business-type budget for the newly established Special Risk Fund in FHA. While the conference substitute does not include this requirement, the conferees expect the Federal Housing Administration to give particular emphasis to this Fund in its annual reports and maintain its accounts in such a way that experience under this program can be readily evaluated.

Advisory commission on low income housing

The Senate bill contained a provision establishing a National Advisory Commission on Low Income Housing. The House amendment contained no such provision. The conference report contains the Senate language.

Title II—Rental Housing for Lower Income Families

Rental and Cooperative housing

(*a*) *Section title.*—The Senate bill described the title of section 201 as "Rental and Cooperative Housing for Lower Income Families". The section title of the House amendment was "Rental and Cooperative Housing for Low and Moderate Income Families". The conference substitute conforms to the Senate bill.

(*b*) *Family income ceiling.*—The Senate bill limited eligibility to families with incomes less than 70 percent of section 221(d)(3) below market interest rate levels, except that 20 percent of the funds could be used for families with incomes exceeding that limit. The House amendment limited initial eligibility to families with incomes less than 130

percent of income levels for continued occupancy in the area which can be established pursuant to public housing law.

The conference substitute provides the following income limits: For 80 percent of the funds authorized the income limit is 135 percent of the public housing level in the area for initial occupancy, plus $300 per minor child. For the remaining 20 percent of the funds authorized the income limit is 90 percent of the maximum level established under the below market interest rate program in the area, plus $300 per minor child.

The conference substitute also requires an annual report by the Secretary to the Banking and Currency Committees of the Senate and House on how the subsidy program is operated with respect to the income limits provided in the conference substitute.

(*c*) *Deduction for children.*—The Senate bill contained a provision not in the House amendment providing a $300 deduction per minor child from family income for purposes of determining monthly payment as well as income eligibility.

The conference substitute contains the Senate language.

Rent supplements; percent of income payable

The House amendment contained a provision not in the Senate bill requiring a payment of 20 percent of income (existing law requires 25 percent of income). The conference substitute retains the 25 percent requirement in existing law but permits a deduction from income of $300 per minor child.

Public housing

(*a*) *Number of units per structure in leased section 223 housing.*—The House amendment contained a provision not in the Senate bill which would have limited eligible units in a single structure to the lesser of (a) 10 units or 10 percent, whichever is greater, or (b) 50 percent of the units in the structure. No such provision is contained in the conference substitute.

(*b*) *Tenant services.*—The Senate bill contained a provision not in the House amendment which authorized grants to local housing authorities to provide tenant services with an authorized limit on appropriations of $20 million for fiscal year 1969, and $40 million in fiscal year 1970. The conference substitute authorizes $15 million for fiscal year 1969 and $30 million for fiscal year 1970 and lists the types of services to be covered.

The list is that contained in the bill reported by the House Committee on Banking and Currency with two changes. The committee-reported bill stated that "the term 'tenant services' includes (without being limited to) the following services and activities." The parenthetic phrase "without being limited to" has been stricken in the conference substitute. The committee-reported bill also included in the list of eligible activities a reference to "intertenant activities" which has been stricken in the conference substitute.

Title III—Federal Housing Administration Insurance Operations

Supplemental loans for multifamily projects

The Senate bill contained a provision applying to a supplemental loan the labor standards provisions "that are applicable to" the section under which the original mortgage was insured. The House amendment

applied the labor standards provisions "without regard to" the section under which the original mortgage was insured. The conference substitute conforms to the Senate bill.

It is the intention of the conferees that the construction financed by these loans be governed by the same labor standards provisions of section 212 of the National Housing Act that are applicable, at the time the commitment to insure a supplemental loan is issued, to the program under which the mortgage covering the project or facility is insured. This would mean that the owner of an existing FHA multifamily project wishing to obtain a supplemental loan to expand or modernize his project would be governed by the same labor standards provisions that would govern the construction of a new project of the same type.

Term of Federal Housing Administration mortgages for land development

The Senate bill contained a provision not in the House amendment giving the Secretary authority to extend the maturity of land development mortgages beyond 10 years if he determines such an extension warranted by unusual or unforeseen circumstances. The conference substitute contains the Senate provision.

Equipment in nursing homes; mortgage maturity

The House amendment contained a provision limiting the maturity of mortgages covering equipment to the reasonable use expectancy of the equipment. The Senate bill contained no provision and none is contained in the conference report.

Housing in outlying areas

The House amendment contained a provision increasing the maximum mortgage under the section 203(i) program from $12,500 to $15,000. The Senate bill contained no provision. The conference substitute retains this provision, with an amendment providing that the maximum mortgage be raised to $13,500.

Notification prerequisite in connection with local government for section 221(d)(3) projects

The House amendment contained a provision requiring the Secretary of HUD to notify a local governing body of a proposed section 221(d)(3) project, requesting a statement of the project's impact on local public services and its relationship to any locally adopted master plans. The Senate bill contained no provision, and no such provision is contained in the conference substitute.

Seasonal homes

The Senate bill authorized FHA to insure mortgages on seasonal homes not exceeding $15,000, and 75 percent of the appraised value, on an acceptable risk basis, taking into consideration the economic potential of the area and the effect the insurance on such mortgages would have on the availability of mortgage credit in the area.

The Senate bill also requires that proper steps be taken to preserve the natural resources of the area. The House amendment contained no provision. The conference report contains the Senate provision.

Title IV—New Communities

Guarantees for financing new community development

The Senate bill contained a provision, not in the House bill, authorizing the Secretary of HUD to guarantee bonds, debentures, notes, and other obligations issued by private new community developers to help finance development of new community projects.

The maximum guarantee could not exceed the lesser of (a) 80 percent of the Secretary's estimate of the value of the property upon completion of the land development, or (b) the sum of 75 percent of the Secretary's estimate of value of land before development and 90 percent of his estimate of actual cost of the land development.

The guarantee could not exceed $50 million for any single new development and $250 million aggregate outstanding principal obligation at any one time.

Fees and charges collected by the Secretary will be deposited in a revolving fund to cover any liabilities under guarantees. In addition, full faith and credit of the United States is pledged to payment of guarantees and debentures and appropriations to cover program operations and nonadministrative expenses and, if necessary, any guarantee payments are authorized.

The provision would require HUD to adopt requirements encouraging small builders to participate in new community projects.

The provision would authorize supplemental grants to States and localities assisting new community development with basic water and sewer and open space projects. The additional grant is limited to 20 percent of cost of the facility and requires, if supplementary grants are used, that a substantial number of housing units for low and moderate income persons must be made available through such development project. (Total Federal grant cannot exceed 80 percent of facility cost.) Appropriations of not to exceed $5 million for supplemental grants for fiscal year 1969 and not to exceed $25 million for fiscal year 1970 would be authorized.

Sections of this title also require cost certifications in connection with a land development project and authorize the General Accounting Office to audit the transactions of developers whose obligations are guaranteed pursuant to this title.

The conference substitute contains the Senate provision with a modification restricting the GAO audits to transactions related to new community undertakings.

Title V—Urban Renewal

Extension of rehabilitation grants to property located outside urban renewal and code enforcement areas

The Senate bill contained a provision authorizing grants under section 115 of the Housing Act of 1949 to property located in an area certified by a local governing body as containing a substantial number of structures in need of repairs and improvements; also the locality must have the workable program and the area must be scheduled for rehabilitation or code enforcement within a reasonable time, and repairs to property must be consistent with such plans. The House amendment contained a provision requiring that such property be

located in an area certified by a local governing body as containing a substantial number of structures in need of rehabilitation. The conference report contains the Senate provision with a requirement that the area be "definitely planned" for rehabilitation or code enforcement.

The House amendment also contained a provision authorizing grants for property determined to be uninsurable after inspection under the FAIR plan where located in an area which has a substantial number of properties in need of rehabilitation. The Senate bill contains no provision. The conference report retains the House provision, with an amendment providing that such properties will be eligible regardless of location.

Disposition of urban renewal land

The House amendment contained a provision not in the Senate bill authorizing the disposition of urban renewal property at fair value to private developers (in addition to nonprofit groups, limited dividend corporations, and public organizations eligible under existing law). The conference substitute retains the House provision with an amendment directing the Secretary to assure that the benefit of this provision goes to the home buyer rather than to the private developer.

Rehabilitation loan program

Both the House and Senate bills broadened eligibility for rehabilitation loans under section 312 of the Housing Act of 1964 to areas outside urban renewal and code enforcement. The Senate bill required that such areas contain a substantial number of structures in need of rehabilitation; that the areas be scheduled for rehabilitation or code enforcement within a reasonable time; that the rehabilitation be consistent with the plan; that there be a workable program covering the area; and that the property be in violation of local codes. The House bill required that the area contain a substantial number of structures in need of rehabilitation and that the property required substantial rehabilitation. The conference report contains the Senate provision with a requirement that the area be "definitely planned" for rehabilitation or code enforcement.

The House amendment also contained a provision authorizing section 312 loans for property determined to be uninsurable after inspection under the FAIR plan where located in an area which has a substantial number of properties in need of rehabilitation. The Senate bill contained no provision. The conference report retains the House provision, with an amendment providing that such properties will be eligible regardless of location.

The House bill also included an amendment not in the Senate bill limiting section 312 rehabilitation loans to persons whose income is within locally applicable section 221(d)(3) BMIR limits. The conference report retains this provisions with an amendment limiting this restriction to residential loans and exempting urban renewal and code enforcement projects now receiving financial assistance under title I of the Housing Act of 1949 which contemplate the use of these loans.

Interim assistance for blighted areas

The Senate bill contained a provision not in the House amendment authorizing the use of up to $20 million a year of the regular urban

renewal authorization to assist localities in alleviating harmful conditions in slum and blighted areas where urban renewal or code enforcement activities are planned but some immediate action is needed until those activities can be begun. The conference substitute contains the Senate provision with a reduction in the dollar amount to $15 million.

Low and moderate income housing in residential areas

The Senate bill contained a provision requiring that a majority of housing units in urban renewal areas to be developed for predominately residential uses be for low and moderate income families. The House amendment required that a majority of housing units in each community's urban renewal projects to be developed for predominately residential uses be for low and moderate income families and that at least 20 percent of the total units in such projects in each community be for low-income families. The conference substitute contains the House provision with authority for the Secretary to waive the requirement of 20 percent for low-income families where he determines that this is not needed. In any case in which the Secretary exercised this waiver authority, he would be required by the conference substitute to report on his action to the Committees on Banking and Currency.

Workable program for indian tribes

The House amendment contained a provision not in the Senate bill deferring the effective date for meeting the code enforcement requirement of the workable program in the case of Indian tribes until January 1, 1969. The conference substitute contains the House provision but extends the date to January 1, 1970.

Property damage by limestone quarry subsidence

The House amendment contained a provision permitting urban renewal project payment of unreduced value upon acquisition of property damaged by limestone quarry subsidence. There was no similar provision in the Senate bill and none is contained in the conference report.

Title VI—Urban Planning and Facilities

Comprehensive planning

The Senate bill contained a provision making eligible for planning grants under section 701 grant program the various regional commissions established under the Public Works and Economic Development Act of 1965. The House amendment contained no provision. The conference report contains the Senate language.

Consultation with the Secretary of Commerce

The Senate bill contained a provision requiring the Secretary of HUD to consult with the Secretary of Commerce before approval of any planning grant which includes any part of an economic development district, and also permits the Secretary of Commerce to provide technical assistance in the establishment of districts and their planning. The House amendment contains no such language. The conference report contains the Senate language.

Implementation of planning

The House amendment contained a provision which provides that grants to councils of governments may be used for implementation of plans. The Senate bill contained no provision. The conference report contains the House language. The conferees wish to state that none of these grant funds used for the implementation of plans may be used for construction.

Water and sewer program

The House amendment contained a provision increasing the authorization for water and sewer facilities program to $500 million for each of fiscal years 1968 and 1969. The Senate bill provided an additional $115 million for fiscal year 1970. The conference report authorizes an increase to $350 million for fiscal year 1969 and $115 million for 1970.

Repeal of 1966 provision for coordination of Federal aids in metropolitan areas

The House amendment contained a provision repealing section 204 of the Demonstration Cities and Metropolitan Development Act of 1966 which provides for review by an areawide planning body of applications under certain Federal programs. There is no such provision in the Senate bill and none is contained in the conference substitute.

Title VII—Urban Mass Transit

Extension of emergency program

The Senate bill contained a provision extending the emergency program from November 1, 1968, to July 1, 1970. The House amendment extended the program to October 1, 1969. The conference report contains the Senate language.

Title VIII—Secondary Mortgage Market

Debt to capital ratio

The Senate bill contained a provision permitting the Secretary of HUD to fix the debt to capital ratio at a figure higher than the present limit of fifteen times the sum of its capital, surplus, and reserves. The House amendment contained a provision permitting the Board of Directors to set the debt to capital ratio instead of the Secretary of HUD. The conference report contains the Senate language.

GNMA guaranteed securities

The Senate bill contained a provision making it possible for savings and loan associations and banks to issue and sell GNMA guaranteed securities. The House amendment contained no provision. The conference report contains the Senate language.

Title X—Rural Housing

Labor standards

The House amendment contained a provision requiring labor standards of the Davis-Bacon Act to be applied in all housing constructed for rural trainees where eight or more units are involved. The Senate

bill contained no provision and none is contained in the conference report.

Title XI—National Insurance Development Program

Operation of the program

The conference substitute generally conforms to the House provisions for the operation of the National Insurance Development Program. The Senate bill included a provision not included in the House bill for an Executive Director to administer the program. In place of this, the conference substitute provides for a Federal Insurance Administrator at executive level IV who will be responsible for both this program and the flood insurance program provided for in title XIII of this bill. Also, the House bill provided that the definition of "essential property insurance" would be approved both by the State insurance authority and the Secretary. The conference substitute requires approval by the State insurance authority only.

FAIR plans

Both bills required as a condition of reinsurance that participating companies comply with FAIR plans designed to assure the property owners of fair access to insurance requirements. The conference substitute includes a provision not in the House bill that the FAIR plans must be administered under the supervision of the State insurance authority. Both bills provided that reinsurance will not be available following notification that the Secretary has found that programs other than the FAIR plans are needed but have not been implemented. The conference substitute includes a provision not in the House bill requiring the Secretary to consult with State insurance authorities in making this determination. The conference substitute also provides that the Secretary must request the views of the State insurance authority before denying reinsurance to an insurer on the grounds that he is not fully participating in the FAIR plan pool or other program.

Studies

Both bills authorized various studies in connection with the insurance program. The Senate bill directed that the studies be made in cooperation with State insurance authorities, while the House bill made this optional. The conference substitute directs cooperation with State authorities to the maximum extent feasible.

General powers

The conference substitute includes a provision contained in the Senate bill but not in the House bill, requiring that in issuing rules and regulations the Secretary must consult with the Advisory Board provided for in this title.

Financing

Both the House and Senate bills authorized Treasury borrowing to meet the Federal commitment under this program. The Senate bill placed no limitation on this borrowing, while the House bill limited it to $150 million or such further sums as may be determined by congressional joint resolution. The conference report limits the borrowing to $250 million and such further sums as may be authorized by joint resolution.

Disaster relief

The Senate bill contained provisions not included in the House bill amending section 7(b)(1) of the Small Business Act, section 101(c)(2)(E) of the Housing and Urban Development Act of 1949, and section 203(h) of the National Housing Act to make clear that their provisions apply in case of riot or civil disorder, and further providing that no person convicted of a felony during the riot or civil disorder shall be permitted to benefit from the disaster relief laws of the United States. The conference substitute included the Senate provisions, but places a 1-year limit on the prohibition on disaster relief to persons convicted of felonies.

Cancellation of insurance

It has been called to the attention of the conference that a number of existing insurance policies covering inner city properties have been canceled since the April, 1968 disorders. Presumably many of these cancellations were due to the unavailability of reinsurance for riot loss. The conference expects that policies canceled for this reason will be reinstated as soon as reinsurance under this title becomes available, without waiting for implementation of the FAIR plans, and that the Secretary shall encourage to the maximum extent feasible the acceptance of requests for reinstatement of such insurance.

Title XIII—National Flood Insurance

Extension of coverage

The Senate bill gave the Secretary of HUD discretionary authority to extend flood insurance coverage to multifamily residential properties, larger business, farm, nonprofit, and public property. The House bill (which authorized initial coverage of smaller businesses) authorized the Secretary to make recommendations to Congress for extended coverage but did not empower the Secretary to act. The conference substitute retains the House provision on initial coverage of smaller businesses and contains the Senate provision giving the Secretary discretionary authority to extend the coverage.

Financing

The Senate bill authorized the same general Treasury borrowing authority provided in the Federal Flood Insurance Act of 1956 (which limits borrowing to $500 million plus such additional sums as the President may authorize). The House bill limited this authority to $150 million and rescinded the unused portion of the Federal Flood Insurance Act authority. The conference substitute limits the borrowing to $250 million and rescinds the balance of the 1956 authority.

National flood insurance fund

The Senate bill authorized the Secretary to establish in the Treasury a fund to pay insurance claims as necessary to make premium equalization payments and to pay administrative expenses. The House provision is similar except that it did not provide for payment of administrative expenses. The conference substitute conforms to the Senate provision.

Federal operation of the program

In the event that the alternative federally operated program were undertaken, the Senate bill authorized the Secretary to operate the pro-

gram through the facilities of the Federal Government by utilizing personnel of HUD and any other executive agency (and through insurance companies, agents, brokers, and organizations as fiscal agents). The House bill was similar except it had no expressed provision authorizing the use of HUD or other executive agency employees. The conference substitute conforms to the Senate provision.

Effective date

The Senate bill contained a provision not in the House bill making the National Flood Insurance Act effective 120 days after enactment unless the Secretary extends the date to a maximum of 180 days. The conference substitute includes the Senate provision.

Title XIV—Interstate Land Sales

This title includes title XIII of the Senate bill with two amendments. "The Interstate Land Sales Full Disclosure Act" requires developers and promoters selling or leasing 50 or more unimproved lots pursuant to a common promotional plan to file a registration statement, called a "statement of record" with the Secretary of Housing and Urban Development. The statement of record must disclose all material and legal information relating to the property. The purpose of full disclosure is to deter or prohibit the sale of land by use of the mails or other channels of interstate commerce through misrepresentation of material facts relating to the property. A property report, which would include part of the statement of record, must be submitted to the purchaser who may revoke the contract if it is not submitted. He may also revoke the contract within 48 hours after signing if the report was submitted within 48 hours before the signing. The revocation authority does not apply where the purchaser has received the report and inspected the lot and so acknowledges such by signature.

The conference substitute adopted all the exemptions contained in the Senate bill with one exception: Section 1403(a)(10) provides that, absent any purpose to evade the provisions of the title, the sale or lease of real estate is exempt where the purchaser or his or her spouse has personally inspected the lot purchased. However, to gain the exemption, the real estate must be free and clear of liens, encumbrances, and adverse claims. The latter terms are not intended to include property reservations which land developers commonly convey or dedicate to local agencies or public utilities and do not include taxes and assessments which constitute liens on the property before they are due and payable.

Notwithstanding the specific exemptions contained in section 1403, the conferees agreed that the Secretary has the discretion to exempt sales which would be technically covered but are intrastate or almost entirely intrastate in nature. An example would be where a few out-of-State purchasers buy lots only being offered for sale within the State of the land's location or in nearby communities.

The bill also contains provisions directing the Secretary to cooperate with States which have comparable disclosure and registration laws. The Secretary may accept for filing, the registration statement required by such State law.

Unless the Secretary finds material error in the statement of record the latter becomes effective upon the 30th day following filing. The

Secretary is authorized to file suits to enjoin the sale of lots in violation of title XIV; and appropriate relief, including damages, is provided purchasers of lots who are victimized because of fraud or material misrepresentation in the required disclosures.

The conference substitute provides that this title will be effective 270 days after enactment, rather than 180 days after enactment as provided in the Senate bill.

Title XV—Mortgage Insurance for Nonprofit Hospitals

Mortgage insurance for existing hospitals

The House amendment contained a provision permitting the insurance of a mortgage to provide permanent financing or refinancing of existing indebtedness for a hospital lacking permanent financing if construction was completed after 1965 and before the date of enactment. The Senate bill did not contain this provision. The conference report retains the House language with an amendment providing that mortgage insurance not exceeding $20 million at any one time will be available for this provision.

Equipment mortgage

The House amendment contained a provision providing that the maturity of a mortgage covering equipment could not exceed a reasonable use expectancy of the equipment. There is no such provision in the Senate bill and none is contained in the conference report.

Title XVI—Ten Year Housing Program—Housing Goals and Annual Housing Report

Declaration of purpose

The House amendment contained a provision that the Congress finds that the Nation's housing supply is not increasing rapidly enough to meet the national housing goal—the "realization as soon as feasible, of the goal of a decent home and a suitable living environment for every American family"; the Congress reaffirms this goal and determines that it should be met within the next decade by the construction or rehabilitation of 26 million housing units including 6 million for low- and moderate-income families. The conference report contains the House language with an amendment that states that this goal should be substantially achieved within the next decade.

Report outlining plan

The Senate bill contained a section adding new provisions to the housing laws requiring the President to submit a report, not later than January 15, 1969, containing a 10-year plan for the national housing needs, along with legislative recommedations for fulfilling these needs. The House amendment contained no provision. The conference report contains the Senate language.

Periodic reports

The Senate bill contained a provision requiring annual reports to be made by the President on January 15, 1970, and on each succeeding year through 1978 showing the progress made under the plan and the reasons why, if any, the goals set forth in the plan have not been reached along with the estimates of the need for the following year.

The House amendment contained a provision directing the Secretary of HUD to submit annually to the President and the Council of Economic Advisers a report containing an estimate of the number of standard housing units produced in the preceding year, the number of such units produced for low- and moderate-income families, his assessment of whether the 10-year housing goal is being met, his recommendation of the current annual goal, and his recommendations of the legislative and administrative actions required to achieve the 10-year housing goal. The conference report contains the Senate language with an amendment requiring the Secretary of HUD to submit his legislative recommendations and the administrative actions required to achieve the 10-year housing goal. The conference report also contained an amendment providing that funds available for studies of housing markets and credit as authorized by section 301 of the Housing Act 1948 and section 602(a), the Housing Act of 1966, shall be available for expenses of the commission established by Public Law 90–301 including the report required to be rendered by such commission.

Title XVII—Miscellaneous

Advances in technology

The Senate bill contained a provision authorizing research contracts for periods of up to 4 years instead of the presently authorized 2-year period. The House bill limited contracts to 3 years. The conference substitute conforms to the Senate bill.

The Senate bill also directed the Secretary to require to the greatest extent feasible employment of new and improved technology in programs administered by HUD. This provision which was not in the House bill is included in the conference substitute.

Housing for the elderly

The House amendment contained a provision amending the Davis-Bacon Act prevailing wage requirements on the direct loan program for housing for the elderly to permit waiver of these requirements only where persons involved donate their services without any compensation. There was no comparable provision in the Senate bill and none is contained in the conference substitute.

The House bill authorized refinancing of FHA section 231 housing for the elderly projects where commitments were issued prior to July 1, 1967, under the section 202 direct loan program for the elderly. There was no comparable provision in the Senate bill and none is contained in the conference substitute.

Investment authority for Federal savings and loans

(*a*) The House amendment contained a provision authorizing Federal savings and loan associations to invest in loans secured by investments in which the association has statutory authority to invest directly. The Senate bill contained a similar provision authorizing Federal savings and loan associations to invest in loans to federally supervised financial institutions secured by investments in which the association has direct authority to invest. The conference report contains the Senate language with an amendment authorizing such loans to any broker or dealer registered with the Securities and Exchange Commission.

(*b*) The Senate bill contained a provision not in the House amendment authorizing Federal savings and loan associations to invest up to 1 percent of assets in AID guarantee loans to developing countries outside of Latin America. The conference substitute contains the Senate provision.

(*c*) The Senate bill contained a provision not in the House amendment authorizing savings and loan associations to make loans not exceeding $5,000 to finance new structures related to residential uses. The conference substitute contains the Senate provision.

(*d*) The House amendment contained a provision authorizing loans not exceeding $5,000 for equipping real property. The conference substitute retains this provision but it is the intention of the conferees that the term "equipping" refers to fixtures attached to the realty.

Authority for savings and loans to raise capital

The House amendment contained a provision authorizing Federal savings and loan associations to raise capital in the form of savings deposits or other accounts or to borrow or issue bonds or other securities. The conference substitute includes this provision but it is the intention of the conferees that any debentures or other debt instruments issued under this authority should always be subordinated to the withdrawable or face value of savings accounts authorized under section 5(b)(1) of the Home Owners' Loan Act of 1933. Such obligations would not be eligible for insurance, and it is expected that the Board will require sellers of any such instruments to make full disclosure to purchasers consistently with the requirements of Federal securities laws.

Federal Reserve Act

The Senate bill contained a provision:

(1) changing the present 24-month limit on construction loans to 36 months;

(2) permitting national banks to continue to purchase participations in existing mortgages; and

(3) providing that loans by national banks shall not be considered real estate loans where a bank looks primarily for repayment out of income of borrowers or security other than real estate even though a bank take a mortgage on real estate as additional security for loan.

The House amendment contains no provision. The conference report contains the Senate language.

Corporate status of low rent public housing

The Senate bill contained a provision not in the House amendment eliminating the present corporate status of HUD's public housing entity and providing for the retirement of that entity's $1 million capital stock. The conference substitute includes the Senate provision.

Special studies of savings and loan industry

The Senate bill contains a provision extending for one year, until 1969, a study of the savings and loan industry authorized by The Second Supplemental Appropriations Act of 1966. The House amendment contained no provision. The conference report contains the Senate language.

The Trust Territory of the Pacific Islands

The Senate bill contained a provision including the Trust Territory of the Pacific Islands in the definition of the term "United States" thereby extending the provisions of the Small Business Act to such Territory. The House contained no provision. The conference report contains the Senate language.

WRIGHT PATMAN,
WILLIAM A. BARRETT,
LEONOR K. SULLIVAN,
HENRY S. REUSS,
THOMAS L. ASHLEY,
WILLIAM S. MOORHEAD,
WILLIAM B. WIDNALL,
FLORENCE P. DWYER,
GARRY BROWN,
Managers on the Part of the House.

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trict of Muscogee County, Georgia, and more particularly described as all of that part of land lot numbered 252, tenth land district, Muscogee County, Georgia, which lies north of the northerly margin of the Central of Georgia Railway Company right-of-way in said land lot numbered 252, said tract consisting of sixty-two acres, more or less, and being a part of the real estate described in and conveyed to James W. Jackson by deed from C. M. Smith, recorded in deed book Z, folio 336, in the office of the Clerk of the Superior Court of Muscogee County, Georgia.

Mr. BENNETT. Mr. Speaker, H.R. 14711 which is identical to S. 2908, is a bill to authorize the Secretary of the Army to quitclaim certain real property in Muscogee County, Ga.

The purpose of this bill is to remove a cloud on the title to a parcel of land purchased in 1963 by Mr. William T. Heard, Jr., from the heirs of Mr. James W. Jackson. This parcel of land consists of approximately 62 acres lying north of the Central of Georgia Railway right-of-way and being situated in land lot 252, 10th land district, Muscogee County, Ga. A cloud on the title to this property arose in 1942 when the U.S. Army purchased from the heirs of Mr. James W. Jackson all of their property located in land lot 252 located south of the Central of Georgia right-of-way. However, by mutual mistake, a companion deed erroneously quitclaimed all interest in all property located in the land lot 252. This, of course, included the 62 acres located north of the railway right-of-way.

The United States has never claimed title to this 62 acres nor has it ever exercised control over it. To the contrary, the heirs of the former owner and the present owner have consistently paid taxes on the 62 acres and exercise complete control over it.

The Secretary of the Army does not have authority to execute a quitclaim deed to clear this title. This bill provides such authority to the Secretary of the Army.

Obviously, this being a mutual error, there is no monetary consideration involved.

The Senate bill was ordered to be read a third time, was read the third time, and passed.

A motion to reconsider was laid on the table.

A similar House bill (H.R. 14711) was laid on the table.

AUTHORIZATION FOR THE SECRETARY OF THE ARMY TO MODIFY CERTAIN USE RESTRICTIONS

Mr. BENNETT. Mr. Speaker, I ask unanimous consent for the immediate consideration of S. 3495, to authorize the Secretary of the Army to modify certain use restrictions on a tract of land in the State of Iowa in order that such land may be used as a site for the construction of buildings or other improvements for the Iowa Law-Enforcement Academy.

The Clerk read the title of the Senate bill.

The SPEAKER. Is there objection to the present consideration of the bill?

There was no objection.

The Clerk read the Senate bill, as follows:

S. 3495

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Secretary of the Army is authorized to modify on behalf of the United States the land use restriction applicable to a tract of land constituting a portion of a larger tract of State-owned land and also a portion of lands heretofore conveyed by the United States to the State of Iowa pursuant to the Act entitled "An Act to direct the Secreary of he Army to convey certain property located in Polk County, Iowa, and described as Camp Dodge and Polk County Target Range, to the State of Iowa", approved June 1, 1955 (69 Stat. 70), so that such tract with respect to which such modification is given may be used by such State for law enforcement academy purposes. The exact description of the tract with respect to which such restriction is modified by the Secretary pursuant to this authority shall be agreed upon by the Secretary and the State of Iowa, but in no event shall the total area of such tract exceed nine acres.

SEC. 2. The Secretary of the Army is authorized to impose such terms and conditions on the modification authorized by this Act as he deems appropriate to protect the interests of the United States. All expenses for surveys and the preparation and execution of legal documents necessary or appropriate to carry out the provisions of this Act shall be borne by the State of Iowa.

Mr. BENNETT. Mr. Speaker, S. 3495 authorizes the Secretary of the Army to release certain use restrictions on a tract of land in the State of Iowa in order that such land may be used as a site for the construction of buildings or other improvements for the Iowa Law Enforcement Academy.

By Public Law 50 of the 84th Congress, the Secretary of the Army was authorized and directed to convey by quitclaim deed, without consideration, to the State of Iowa, all right, title, and interest of the United States in and to the Camp Dodge Military Reservation and Polk County Target Range to the State of Iowa for use as a training base for the Iowa National Guard and for other military purposes.

The original deed of conveyance stated that should the State of Iowa cease to use the property for the purposes intended, then the title should immediately revert to the United States together with all improvements made thereon.

The State of Iowa now has requested the concurrence of the Department of the Army to permit the use of a 9-acre tract located within the land conveyed by the United States for the construction of facilities to house the Iowa Law Enforcement Academy. The facilities will be used primarily to train policemen. However, joint use will be made for training the National Guard in connection with civil disturbances. The use of this 9-acre tract by the academy will not interfere with the use of the remainder of this large reservation for National Guard purposes.

The Department of the Army considers that the proposed construction and operation of the Law Enforcement Academy is not adverse to the National Guard training or future military requirements. The additional facilities should, in fact, prove of mutual benefit to the State and Federal Government.

Mr. SMITH of Iowa. Mr. Speaker, I rise to urge passage of S. 3495, a bill relating to the use of certain land at Camp Dodge, Iowa. The bill amends a law passed in 1955.

When the Federal Government transferred the land, which is now used for a National Guard training center, to the State of Iowa, a reverter was included in the deed to provide that the land shall revert to the United States whenever it is no longer used for National Guard purposes. The State of Iowa now desires to use 9 acres of this tract for a statewide law-enforcement academy. The Department of the Army is of the opinion that unless the original conveyance is modified to specifically permit this kind of use without reversion that the 9-acre tract so used might revert to the United States.

This bill merely authorizes a modification of the conveyance so that a 9-acre tract can be used by the State of Iowa for a law-enforcement academy without the State losing the right to possession of the land. I believe this provides a full explanation of the purpose of the bill, but any further details can be found in the report issued by the Armed Services Committee.

I had introduced H.R. 17612, which would provide the same results as the bill now before the House. As the Members know, where there are bills providing the same results in both the House and Senate, we enact into law whichever bill happens to pass the respective body first. Through no fault of the House committee, which had a very loaded docket, the Senate committee reported out this bill first and it passed the Senate a few days ago. Under the circumstances, the thing to do is to pass the Senate bill and I therefore urge that my colleagues support passage of the bill now before the House.

The Senate bill was ordered to be read a third time, was read the third time, and passed.

A motion to reconsider was laid on the table.

NATIONAL FAMILY HEALTH WEEK

Mr. ROGERS of Colorado. Mr. Speaker, I ask unanimous consent for the immediate consideration of House Joint Resolution 1404, authorizing and requesting the President to proclaim the week of November 17 through 23, 1968, as "National Family Health Week."

The Clerk read the title of the joint resolution.

The SPEAKER. Is there objection to the request of the gentleman from Colorado?

There was no objection.

The Clerk read the joint resolution, as follows:

H.J. RES. 1404

Whereas good health is a blessing prized above all others by every citizen, and

Whereas the well-being of the Nation depends upon the maintenance of good health among all segments and elements of our population, and

Whereas the family physician performs a critical service to the Nation in the maintenance of health and the prevention of disease, and

Whereas the Nation's family doctors have a unique responsibility in the American health care system, since they are the individual's primary source of contact with the medical profession, and

Whereas the dedication and skill of family physicians have served as the foundation of medical progress in this Nation, and

Whereas the family doctor's role as a physician and counselor to the whole person and the entire family embraces the widest scope of basic medical necessity, including advice on subjects ranging from personal health to family planning to emotional well-being, and

Whereas the American Academy of General Practice, national professional association of family physicians, is conducting a continuing effort to educate the public in the progress of our health care system and supports measures for its improvement: Now, therefore, be it

Resolved by the Senate and House of Representatives of the United States of America in Congress assembled. That the President is authorized and requested to officially proclaim the week of November 17 through 23, 1968, as "National Family Health Week" as a means of focusing national attention during the year upon the accomplishments of the American health care system and the central role played by the family physician in the maintenance of superior medical care for Americans of all ages and from all walks of life.

AMENDMENT OFFERED BY MR. ROGERS OF COLORADO

Mr. ROGERS of Colorado. Mr. Speaker, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. ROGERS of Colorado: On pages 1 and 2 strike out all "whereas clauses."

The amendment was agreed to.

The joint resolution was ordered to be engrossed and read a third time, was read the third time, and passed.

A motion to reconsider was laid on the table.

PROFESSIONAL PHOTOGRAPHY WEEK

Mr. ROGERS of Colorado. Mr. Speaker, I ask unanimous consent for the immediate consideration of Senate Joint Resolution 181, to authorize the President to designate the week of August 4 through August 10, 1968, as "Professional Photography Week."

The Clerk read the title of the Senate joint resolution.

The SPEAKER. Is there objection to the request of the gentleman from Colorado?

There was no objection.

The Clerk read the Senate joint resolution, as follows:

S.J. RES. 181

Whereas professional photography is vital to the economy and welfare of our Nation, touching upon every aspect of this country's economic, scientific, industrial, and family life; and

Whereas one hundred and fifty thousand men and women are engaged in the practice of professional photography; and

Whereas a billion-dollar industry is generated and supported by the activities of the professional photographer; and

Whereas the work of the professional photographer is used by industry in product design, research, manufacture, the promotion of safety, training, purchasing, and sales; and

Whereas professional photography communicates and educates and illustrates in advertising, in our courts, on our farms; and

Whereas in our reach toward outer space, in our search of the oceans' depth, and in research in our hospitals and laboratories throughout the land the professional photographer serves the cause of science; and

Whereas the professional photographer records history for our edification today and the benefit of our posterity; and

Whereas professional photography as an art form enriched the cultural life of America; and

Whereas professional photography continues in its traditional role of remembrance and recording those we love: Therefore be it

Resolved by the Senate and House of Representatives of the United States of America in Congress assembled, That as a tribute to the professional photographer and his many works and in recognition of the importance of professional photography in our life today and in America's future, the President is authorized to issue a proclamation designating the week beginning August 4 through August 10, 1968, as "Professional Photography Week", and calling upon the people of the United States to observe such week with appropriate ceremonies and activities.

AMENDMENT OFFERED BY MR. ROGERS OF OF COLORADO

Mr. ROGERS of Colorado. Mr. Speaker, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. ROGERS of Coloradi : On pages 1 and 2 strike out all "whereas" clauses.

The amendment was agreed to.

The Senate joint resolution was ordered to be read a third time, was read the third time, and passed.

The motion to reconsider was laid on the table.

NATIONAL HISPANIC HERITAGE WEEK

Mr. ROGERS of Colorado. Mr. Speaker, I ask unanimous consent for the immediate consideration of the joint resolution (H.J. Res. 1299) authorizing the President to proclaim annually the week including September 15 and 16 as "National Hispanic Heritage Week."

The Clerk read the title of the joint resolution.

The SPEAKER. Is there objection to the request of the gentleman from Colorado?

There was no objection.

The Clerk read the joint resolution, as follows:

H.J. RES. 1299

Whereas it is in the tradition of our country to recognize, cherish, and conserve the many cultural contributions of the people who have helped achieve the greatness of our Nation;

Whereas our country is constantly searching for ways to assist the development of our neighbor nations, and, through positive approaches, attain mutual understanding, respect, and appreciation of our cultures, heritage, and arts;

Whereas seven of our States, Arizona, California, Colorado, Florida, Nevada, New Mexico, and Texas; the Commonwealth of Puerto Rico; and many of our cities and towns proudly bear Hispanic names, as part of our tradition;

Whereas the national census shows that a considerable portion of our population also bear Spanish surnames, especially in our Southwestern States and in New York City;

Whereas many cities, towns, and regions were initially developed by citizens of Hispanic origin, as attested by our history;

Whereas in a large part of our country, the Mexican Independence Days, and the independence day of some of our Latin sister Republics, are celebrated on September 15 and 16;

Whereas the Spanish surnamed population has contributed the highest proportion of Medal of Honor winners through acts of bravery and determination in the defense of our land: Now, therefore, be it

Resolved by the Senate and House of Representatives of the United States of America in Congress assembled, That the President is hereby authorized and requested to issue annually a proclamation designating the week including September 15 and 16 as "National Hispanic Heritage Week" and calling upon the people of the United States, especially the educational commmunity, to observe such week with appropriate ceremonies and activities.

AMENDMENT OFFERED BY MR. ROGERS OF COLORADO

Mr. ROGERS of Colorado. Mr. Speaker, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. ROGERS of Colorado: On pages 1 and 2, strike out all Whereas clauses.

The amendment was agreed to.

The joint resolution was ordered to be engrossed and read a third time, was read the third time, and passed.

The motion to reconsider was laid on the table.

PERMISSION FOR COMMITTEE ON RULES TO FILE PRIVILEGED REPORTS

Mr. ALBERT. Mr. Speaker, I ask unanimous consent that the Committee on Rules may have until midnight tonight to file certain privileged reports.

The SPEAKER. Is there objection to the request of the gentleman from Oklahoma?

There was no objection.

PERMISSION FOR COMMITTEE ON BANKING AND CURRENCY TO FILE A CONFERENCE REPORT ON S. 3497

Mr. PATMAN. Mr. Speaker, I ask unanimous consent that the Committee on Banking and Currency may have until midnight tonight to file a conference report on S. 3497, the Housing and Urban Development Act.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

There was no objection.

CONFERENCE REPORT (H. REPT. No. 1718)

The committee of conference on the disagreeing votes of the two Houses on the amendment of the House to the bill (S. 3497) to assist in the provision of housing for low and moderate income families, and to extend and amend laws relating to housing and urban development, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the Senate recede from its disagreement to the amendment of the House and agree to the same with an amendment as follows: In lieu of the matter proposed to be inserted by the House amendment insert the following:

That this Act may be cited as the "Housing and Urban Development Act of 1968".

DECLARATION OF POLICY

SEC. 2. The Congress affirms the national goal, as set forth in section 2 of the Housing Act of 1949, of "a decent home and a suitable living environment for every American family".

The Congress finds that this goal has not been fully realized for many of the Nation's lower income families; that this is a matter of grave national concern; and that there exist in the public and private sectors of the economy the resources and capabilities necessary to the full realization of this goal.

The Congress declares that in the administration of those housing programs authorized by this Act which are designed to assist families with incomes so low that they could not otherwise decently house themselves, and of other Government programs designed to assist in the provision of housing for such families, the highest priority and emphasis should be given to meeting the housing needs of those families for which the national goal has not become a reality; and in the carrying out of such programs there should be the fullest practicable utilization of the resources and capabilities of private enterprise and of individual self-help techniques.

JOBS IN HOUSING; EMPLOYMENT OPPORTUNITIES FOR LOWER INCOME PERSONS IN CONNECTION WITH ASSISTED PROJECTS

SEC. 3. In the administration of the programs authorized by sections 235 and 236 of the National Housing Act, the below-market interest rate program under section 221(d)(3) of such Act, the low-rent public housing program under the United States Housing Act of 1937, and the rent supplement program under section 101 of the Housing and Urban Development Act of 1965, the Secretary of Housing and Urban Development shall—

(1) require, in consultation with the Secretary of Labor, that to the greatest extent feasible opportunities for training and employment arising in connection with the planning, construction, rehabilitation, and operation of housing assisted under such programs be given to lower income persons residing in the area of such housing; and

(2) require, in consultation with the Administrator of the Small Business Administration, that to the greatest extent feasible contracts for work to be performed pursuant to such programs shall, where appropriate, be awarded to business concerns, including but not limited to individuals or firms doing business in the fields of design, architecture, building construction, rehabilitation, maintenance, or repair, located in or owned in substantial part by persons residing in the area of such housing.

IMPROVED ARCHITECTURAL DESIGN IN GOVERNMENT HOUSING PROGRAM

SEC. 4. The Congress finds that Federal aids to housing have not contributed fully to improvement in architectural standards. This objective has been contemplated in Federal housing legislation since the establishment of mortgage insurance through the Federal Housing Administration.

The Congress commends the Department of Housing and Urban Development for its recent efforts to improve architectural standards through competitive design awards and in other ways but at the same time recognizes that this important objective requires high priority if Federal aid is to make its full communitywide contribution toward improving our urban environment.

The Congress further finds that even within the necessary budget limitations on housing for low and moderate income families architectural design could be improved not only to make the housing more attractive, but to make it better suited to the needs of occupants.

The Congress declares that in the administration of housing programs which assist in the provision of housing for low and moderate income families, emphasis should be given to encouraging good design as an essential component of such housing and to developing housing which will be of such quality as to reflect its important relationship to the architectural standards of the neighborhood and community in which it is situated, consistent with prudent budgeting.

ANNUAL REPORT ON AREAS OF PROGRAM ADMINISTRATION AND MANAGEMENT WHICH REQUIRE IMPROVEMENT

SEC. 5. The Secretary shall, as early as practicable in the calendar year 1969 and in the calendar year 1970, make a report to the respective Committees on Banking and Currency of the House of Representatives and the Senate identifying specific areas of program administration and management which require improvement, describing actions taken and proposed for the purpose of making such improvements, and recommending such legislation as may be necessary to accomplish such improvements. Each such report shall include, but not be limited to, the following areas of program administration and management: uniformity and standardization in program requirements, simplification of program procedures, ways and means of expediting consideration of proposed projects and applications for assistance, the provision of more useful and specific assistance to communities, organizations and individuals seeking to utilize the Department's programs, and ways and means of combining or otherwise adapting the Department's programs to increase their usefulness in meeting the individual needs of applicants.

TITLE I—LOWER INCOME HOUSING

HOMEOWNERSHIP FOR LOWER INCOME FAMILIES

SEC. 101. (a) Title II of the National Housing Act is amended by adding at the end thereof the following new section:

"HOMEOWNERSHIP FOR LOWER INCOME FAMILIES

"SEC. 235. (a) For the purpose of assisting lower income families in acquiring homeownership or in acquiring membership in a cooperative association operating a housing project, the Secretary is authorized to make, and to contract to make, periodic assistance payments on behalf of such homeowners and cooperative members. The assistance shall be accomplished through payments to mortgagees holding mortgages meeting the special requirements specified in this section.

"(b) To qualify for assistance payments, the homeowner or the cooperative member shall be of lower income and satisfy eligibility requirements prescribed by the Secretary, and—

"(1) the homeowner shall be a mortgagor under a mortgage which meets the requirements of and is insured under subsection (i) or (j)(4) of this section: *Provided,* That a mortgage meeting the requirements of subsection (i)(3)(A) of this section but insured under section 237 may qualify for assistance payments if such mortgage was executed by a mortgagor who is determined not to be an acceptable credit risk for mortgage insurance purposes (but otherwise eligible) under subsection (j)(4) of this section or under section 221(d)(2) or 234(c) and accepted as a reasonably satisfactory credit risk under section 237; or

"(2) the cooperative association of which the family is a member shall operate a housing project the construction or substantial rehabilitation of which has been financed with a mortgage insured under section 213 and which has been completed within two years prior to the filing of the application for assistance payments and the dwelling unit has had no previous occupant other than the family: *Provided,* That if the initial cooperative member receiving assistance payments transfers his membership and occupancy rights to another person who satisfies the eligibility requirements prescribed by the Secretary, such new cooperative member may qualify for assistance payments upon the filing of an application with respect to the dwelling unit involved to be occupied by him: *Provided further,* That assistance payments may be made with respect to a dwelling unit in an existing cooperative project which meets such standards as the Secretary may prescribe, if the family qualifies as a displaced family as defined in section 221(f), or a family which includes five or more minor persons, or a family occupying low-rent public housing: *Provided further,* That the amount of the mortgage attributable to the dwelling unit shall involve a principal obligation not in excess of $15,000 ($17,500 in any geographical area where the Secretary authorizes an increase on the basis of a finding that cost levels so require), except that with respect to any family with five or more persons the foregoing limits shall be $17,500 and $20,000, respectively.

"(c) The assistance payments to a mortgagee by the Secretary on behalf of a mortgagor shall be made during such time as the mortgagor shall continue to occupy the property which secures the mortgage: *Provided,* That assistance payments may be made on behalf of a homeowner who assumes a mortgage insured under subsection (j)(4) with respect to which assistance payments have been made on behalf of the previous owner, if the homeowner is approved by the Secretary as eligible for receiving such assistance. The payment shall be in an amount not exceeding the lesser of—

"(1) the balance of the monthly payment for principal, interest, taxes, insurance, and mortgage insurance premium due under the mortgage remaining unpaid after applying 20 per centum of the mortgagor's income; or

"(2) the difference between the amount of the monthly payment for principal, interest, and mortgage insurance premium which the mortgagor is obligated to pay under the mortgage and the monthly payment for principal and interest which the mortgagor would be obligated to pay if the mortgage were to bear interest at the rate of 1 per centum per annum.

"(d) Assistance payments to a mortgagee by the Secretary on behalf of a family holding membership in a cooperative association operating a housing project shall be made only during such time as the family is an occupant of such project and shall be in amounts computed on the basis of the formula set forth in subsection (c) applying the cooperative member's proportionate share of the obligations under the project mortgage to the items specified in the formula.

"(e) The Secretary may include in the payment to the mortgagee such amount, in addition to the amount computed under subsection (c), (d), or (j)(7), as he deems appropriate to reimburse the mortgagee for its expenses in handling the mortgage.

"(f) Procedures shall be adopted by the Secretary for recertifications of the mortgagor's (or cooperative member's) income at intervals of two years (or at shorter intervals where the Secretary deems is desirable) for the purpose of adjusting the amount of such assistance payments within the limits of the formula described in subsection (c).

"(g) The Secretary shall prescribe such regulations as he deems necessary to assure that the sales price of, or other consideration paid in connection with, the purchase by a homeowner of the property with respect to which assistance payments are to be made is not increased above the appraised value on which the maximum mortgage which the Secretary will insure is computed.

"(h)(1) There are authorized to be appropriated such sums as may be necessary to carry out the provisions of this section, including such sums as may be necessary to make the assistance payments under con-

tracts entered into under this section. The aggregate amount of contracts to make such payments shall not exceed amounts approved in appropriation Acts, and payments pursuant to such contracts shall not exceed $75,000,000 per annum prior to July 1, 1969, which maximum dollar amount shall be increased by $100,000,000 on July 1, 1969, and by $125,000,000, on July 1, 1970.

"(2) Not more than 20 per centum of the total amount of assistance payments authorized to be contracted to be made pursuant to appropriation Acts shall be contracted to be made on behalf of families whose incomes at the time of their initial occupancy exceed 135 per centum of the maximum income limits which can be established in the area, pursuant to the limitations prescribed in sections 2(2) and 15(7)(b)(ii) of the United States Housing Act of 1937, for initial occupancy in public housing dwellings, but the incomes of such families at the time of their initial occupancy shall in no case exceed 90 per centum of the limits prescribed by the Secretary for occupants of projects financed with mortgages insured under section 221(d)(3) which bear interest at the below-market interest rate prescribed in the proviso of section 221(d)(5). The limitations prescribed in this paragraph shall be administered by the Secretary so as to accord a preference to those families whose incomes are within the lowest practicable limits for achieving homeownership with assistance under this section. The Secretary shall report annually to the respective Committees on Banking and Currency of the Senate and House of Representatives with respect to the income levels of families on behalf of which assistance payments have been made under this section.

"(3) Notwithstanding the provisions of subsections (b)(2) and (i)(3)(A) with respect to the prior construction or rehabilitation of a dwelling, or of the project in which there is a dwelling unit, for which assistance payments may be made, and notwithstanding the provisions of subsection (j)(1) authorizing the purchase of housing which is neither deteriorating nor substandard, not more than—

"(A) 25 per centum of the total amount of contracts for assistance payments authorized by appropriation Acts to be made prior to July 1, 1969,

"(B) 15 per centum of the total additional amount of contracts for assistance payments authorized by appropriations Acts to be made prior to July 1, 1970, and

"(C) 10 per centum of the total additional amount of contracts for assistance payments authorized by appropriations Acts to be made prior to July 1, 1971,

may be made with respect to existing dwellings, or dwelling units in existing projects.

"(i)(1) The Secretary is authorized, upon application by the mortgagee, to insure a mortgage executed by a mortgagor who meets the eligibility requirements for assistance payments prescribed by the Secretary under subsection (b). Commitments for the insurance of such mortgages may be issued by the Secretary prior to the date of their execution or disbursement thereon, upon such terms and conditions as the Secretary may prescribe.

"(2) To be eligible for insurance under this subsection, a mortgage shall meet the requirements of section 221(d)(2) or 234(c), except as such requirements are modified by this subsection.

"(3) A mortgage to be insured under this subsection shall—

"(A) involve a single-family dwelling which has been approved by the Secretary prior to the beginning of construction or substantial rehabilitation, or a two-family dwelling one of the units of which is to be occupied by the owner if the dwelling is purchased with the assistance of a nonprofit organization and is approved by the Secretary prior to the beginning of substantial rehabilitation, or a one-family unit in a condominium project (together with an undivided interest in the common areas and facilities serving the project) which is released from a multifamily project, the construction or substantial rehabilitation of which has been completed within two years prior to the filing of the application for assistance payments with respect to such family unit and the unit has had no previous occupant other than the mortgagor: *Provided*, That the mortgage may involve an existing dwelling or a family unit in an existing condominium project which meets such standards as the Secretary may prescribe, if the mortgagor qualifies as a displaced family as defined in section 221(f), or a family which includes five or more minor persons, or a family occupying low-rent public housing: *Provided further*, That the mortgage may involve an existing dwelling or a family unit in an existing condominium project if assistance payments have been made on behalf of the previous owner of the dwelling or family unit with respect to a mortgage insured under subsection (j)(4): *Provided further*, That the mortgage may involve a dwelling unit in an existing project covered by a mortgage insured under section 236 or in an existing project receiving the benefits of financial assistance under section 101 of the Housing and Urban Development Act of 1965;

"(B) where it is to cover a one-family unit in a condominium project, have a principal obligation not exceeding $15,000 ($17,500 in any geographical area where the Secretary authorizes an increase on the basis of a finding that cost levels so require), except that with respect to any family with five or more persons the foregoing limits shall be $17,500 and $20,000, respectively; and

"(C) be executed by a mortgagor who shall have paid (i) in the case of any family whose income is not in excess of 135 per centum of the maximum income limits which can be established in the area, pursuant to the limitations prescribed in sections 2(2) and 15(7)(b)(ii) of the United States Housing Act of 1937, for initial occupancy in public housing dwellings, at least $200, or (ii) in the case of any other family, at least 3 per centum (or such larger amount as the Secretary may require) of the Secretary's estimate of the cost of acquisition, which amount (in cash or its equivalent) in either instance may be applied for the payment of settlement costs and initial payments for taxes, hazard insurance, mortgage insurance premiums, and other prepaid expenses.

"(j)(1) In addition to mortgages insured under the provisions of subsection (i), the Secretary is authorized, upon application by the mortgagee, to insure a mortgage (including advances under such mortgage during rehabilitation) which is executed by a nonprofit organization or public body or agency to finance the purchase of housing, and the rehabilitation of such housing if it is deteriorating or substandard, for subsequent resale to lower income home purchasers who meet the eligibility requirements for assistance payments prescribed by the Secretary under subsection (b). Commitments for the insurance of such mortgages may be issued by the Secretary prior to the date of their execution or disbursement thereon, upon such terms and conditions as the Secretary may prescribe.

"(2) To be eligible for insurance under paragraph (1) of this subsection, a mortgage shall—

"(A) be executed by a private nonprofit organization or public body or agency approved by the Secretary, for the purpose of financing the purchase (with the intention of subsequent resale), and rehabilitation where the housing involved is deteriorating or substandard, of property comprising one or more tracts or parcels, whether or not contiguous, consisting of (i) four or more single-family dwellings of detached, semidetached, or row construction, or (ii) four or more one-family units in a structure or structures for which a plan of family unit ownership approved by the Secretary is established; except that in a case not involving the rehabilitation of deteriorating or substandard housing the property purchased may consist of one or more such dwellings or units;

"(B) be in a principal amount not exceeding the appraised value of the property at the time of its purchase under the mortgage plus the estimated cost of any rehabilitation;

"(C) bear interest (exclusive of premium charges for insurance and service charge, if any) at not to exceed such per centum per annum (not in excess of 6 per centum), on the amount of the principal obligation outstanding at any time, as the Secretary finds necessary to meet the mortgage market;

"(D) provide for complete amortization (subject to paragraph (4)(E)) by periodic payments within such term as the Secretary may prescribe; and

"(E) provide for the release of individual single-family dwellings from the lien of the mortgage upon their sale in accordance with paragraph (4).

"(3) No mortgage shall be insured under paragraph (1) unless the mortgagor shall have demonstrated to the satisfaction of the Secretary that (A) the property involved is located in a neighborhood which is sufficiently stable and contains sufficient public facilities and amenities to support long-term values, or (B) the purchase or rehabilitation of such property plus the mortgagor's related activities and the activities of other owners of housing in the neighborhood, together with actions to be taken by public authorities, will be of such scope and quality as to give reasonable promise that a stable environment will be created in the neighborhood.

"(4)(A) No mortgage shall be insured under paragraph (1) unless the mortgagor enters into an agreement, satisfactory to the Secretary, that it will offer to sell the dwellings involved, after purchase and upon completion of any rehabilitation, to lower income individuals or families meeting the eligibility requirements established by the Secretary under subsection (b).

"(B) The Secretary is authorized to insure under this paragraph mortgages executed to finance the sale of individual dwellings to lower income purchasers as provided in subparagraph (A). Any such mortgage shall—

"(i) be in a principal amount not in excess of that portion of the unpaid principal balance of the blanket mortgage covering the property which is allocable to the individual dwelling involved;

"(ii) bear interest at the same rate as the blanket mortgage; and

"(iii) provide for complete amortization by periodic payments within a term equal to the remaining term (determined without regard to subparagraph (E)) of such blanket mortgage.

"(C) The price for which any individual dwelling is sold under this paragraph shall be in an amount equal to that portion of the unpaid principal balance of the blanket mortgage covering the property which is allocable to the dwelling plus such additional amount, not less than $200 (which may be applied in whole or in part toward closing costs and may be paid in cash or its equivalent), as the Secretary may determine to be reasonable.

"(D) Upon the sale under this paragraph of any individual dwelling, such dwelling shall be released from the lien of the blanket mortgage. Until all of the individual dwellings in the property covered by the blanket mortgage have been sold, the mortgagor shall hold and operate the dwellings remaining

unsold at any given time, in such manner and under such terms as the Secretary may prescribe, as though they constituted rental units.

"(E) Upon the sale under this paragraph of all the individual dwellings in the property covered by the blanket mortgage and the release of all individual dwellings from the lien of the blanket mortgage, the insurance of the blanket mortgage shall be terminated and no adjusted premium charge shall be charged by the Secretary upon such termination.

"(5) Where the Secretary has approved a plan of family unit ownership, the terms 'single-family dwelling', 'single-family dwellings', 'individual dwelling', and 'individual dwellings' shall mean a family unit or family units, together with the undivided interest (or interests) in the common areas and facilities.

"(6) For purposes of this subsection, the terms 'single-family dwelling' and 'single-family dwellings' (except for purposes of paragraph (5)) shall include a two-family dwelling which has been approved by the Secretary if one of the units is to be occupied by the owner.

"(7) In addition to the assistance payments authorized under subsection (b), the Secretary may make such payments to a mortgagee on behalf of a nonprofit organization or public body or agency which is a mortgagor under the provisions of paragraph (1) in an amount not exceeding the difference between the monthly payment for principal, interest, and mortgage insurance premium which the mortgagor is obligated to pay under the mortgage and the monthly payment for principal and interest such mortgagor would be obligated to pay if the mortgage were to bear interest at the rate of 1 per centum per annum.

"(8) A mortgage covering property which is not deteriorating or substandard may be insured under this subsection only if it is situated in an area in which mortgages may be insured under section 221(h).

"(k) The Secretary shall from time to time allocate and transfer to the Secretary of Agriculture, for use (in accordance with the terms and conditions of this section) in rural areas and small towns, a reasonable portion of the total authority to contract to make assistance payments as approved in appropriation Acts under subsection (h)(1).

"(l) In determining the income of any person for the purposes of this section, there shall be deducted an amount equal to $300 for each minor person who is a member of the immediate family of such person and living with such family, and the earnings of any such minor person shall not be included in the income of such person or his family."

(b)(1) Section 221(d)(2)(A) of the National Housing Act is amended—

(A) by striking out "not to exceed (i) $12,500" and inserting in lieu thereof "not to exceed (i) $15,000 (or $17,500, if the mortgagor's family includes five or more persons)"; and

(B) by striking out "not to exceed $15,000" in the second proviso and inserting in lieu thereof "not to exceed $17,500 (or $20,000 if the mortgagor's family includes five or more persons)".

(2) Section 221(d)(2)(B) of such Act is amended—

(A) by inserting ", in cash or its equivalent" before the semicolon after "acquisition cost" in the first proviso; and

(B) by inserting before the semicolon after "appraised value" at the end thereof the following: ": *Provided further*, That, if the mortgagor is the owner and an occupant of the property, such mortgagor shall to the maximum extent feasible be given the opportunity to contribute the value of his labor as equity in such dwelling".

(c)(1) Section 221(h)(5)(B)(ii) of such Act is amended to read as follows:

"(ii) bear interest at the same rate as the principal mortgage or such lower rate, not less than 1 per centum, as the Secretary may prescribe if in his judgment the purchaser's income is sufficiently low to justify the lower rate, and provide for complete amortization within a term equal to the remaining term (determined without regard to subparagraph (E)) of such principal mortgage: *Provided*, That, if the rate of interest initially prescribed is less than the rate borne by the principal mortgage and the purchaser's income (as determined on the basis of periodic review) subsequently rises, the rate of interest so prescribed shall be increased (but not above the rate borne by such principal mortgage), under regulations of the Secretary, to the extent appropriate to reflect the increase in such income, and the mortgage shall so provide."

(2) Section 221(h)(4) of such Act is amended by striking out "$20,000,000" and inserting in lieu thereof "$50,000,000".

(3) Section 221(h) of such Act is further amended by adding at the end thereof the following new paragraph:

"(6) In addition to the mortgages that may be insured under paragraphs (1) and (5), the Secretary is authorized to insure under this subsection at any time within one year after the date of the enactment of this paragraph, upon such terms and conditions as he may prescribe, mortgages which are executed by individuals or families that meet the income criteria prescribed in paragraph (5)(A) and are executed for the purpose of financing the rehabilitation or improvement of single-family dwellings of detached, semi-detached, or row construction that are owned and occupied in each instance by a mortgagor who has purchased the dwelling from a nonprofit organization of the type described in this subsection. To be eligible for such insurance, a mortgage shall—

"(A) be in a principal amount not exceeding the lesser of $15,000 or the sum of the estimated cost of repair and rehabilitation and the Secretary's estimate of the value of the property before repair and rehabilitation, except that in no case involving refinancing shall such mortgage exceed such estimated cost of repair and rehabilitation and the amount (as determined by the Secretary) required to refinance existing indebtedness secured by the property;

"(B) bear interest (exclusive of premium charges for insurance and service charge, if any) at 3 per centum per annum or such lower rate, not less than 1 per centum, as the Secretary may prescribe if in his judgment the mortgagor's income is sufficiently low to justify the lower rate: *Provided*, That, if the rate of interest initially prescribed is less than 3 per centum per annum and the mortgagor's income (as determined on the basis of periodic review) subsequently rises, the rate shall be increased (but not above 3 per centum), under regulations of the Secretary, to the extent appropriate to reflect the increase in such income, and the mortgage shall so provide;

"(C) involve a mortgagor that shall have paid on account of the property at the time of the rehabilitation such amount (which shall not be less than $200 in cash or its equivalent, but which may be applied in whole or in part toward closing costs) as the Secretary may determine to be reasonable and appropriate under the circumstances; and

"(D) contain a provision that, if the low-income mortgagor does not continue to occupy the property, the interest rate shall increase to the highest rate permissible under this section and the regulations of the Secretary effective at the time the commitment was issued for insurance of the mortgage; except that the increase in interest rate shall not be applicable if the property is sold and the purchaser is (i) a nonprofit organization which has been engaged in purchasing and rehabilitating deteriorating and substandard housing with financing under a mortgage insured under paragraph (1) of this subsection, (ii) a public housing agency having jurisdiction under the United States Housing Act of 1937 over the area where the dwelling is located, or (iii) a low-income purchaser approved for the purposes of this paragraph by the Secretary."

(4) The purchase of any individual dwelling, sold by a nonprofit organization pursuant to the provisions of section 221(h)(5) of the National Housing Act after the date of enactment of this section, may be financed with a mortgage insured under the provisions of section 235(j)(4) of such Act, but such mortgage shall bear interest at the rate provided in section 235(j)(2)(C) of such Act.

(d) Section 212(a) of such Act is amended by inserting "or section 235(j)(1)" after "subsection (h)(1)" each place it appears.

(e) The Secretary of Housing and Urban Development is authorized to provide, or contract with public or private organizations to provide, such budget, debt management, and related counseling services to mortgagors whose mortgages are insured under section 235(i) or 235(j)(4) of the National Housing Act as he determines to be necessary to assist such mortgagors in meeting the responsibilities of homeownership. There are authorized to be appropriated such sums as may be necessary to carry out the provisions of this subsection.

CREDIT ASSISTANCE

SEC. 102. (a) Title II of the National Housing Act is amended by adding after section 236 (as added by section 201 of this Act) the following new section:

"SPECIAL MORTGAGE INSURANCE ASSISTANCE

"SEC. 237. (a) The purpose of this section is to help provide adequate housing for families of low and moderate income, including those who, for reasons of credit history, irregular income patterns caused by seasonal employment, or other factors, are unable to meet the credit requirements of the Secretary for the purchase of a single-family home financed by a mortgage insured under section 203, 220, 221, 234, or 235(j)(4), but who, through the incentive of homeownership and counseling assistance, appear to be able to achieve homeownership.

"(b) The Secretary is authorized upon application by the mortgagee to insure under this section any mortgage meeting the requirements of this section.

"(c) To be eligible for insurance under this section, a mortgage shall—

"(1) meet the requirements of section 203, (except subsection (m)), 220(d)(3)(A), 221(d)(2), 221(h)(5), 221(i), 234(c), or 235(j)(4), except as such requirements are modified by this section;

"(2) involve a principal obligation (including such initial service charges, and such appraisal, inspection, and other fees, as the Secretary shall approve) in an amount not to exceed $15,000: *Provided*, That the Secretary may increase the amount to not exceed $17,500 in any geographical area where he finds that cost levels so require: *Provided further*, That no mortgage meeting the requirements of section 203(h) or 203(i) shall be eligible for insurance under this section if its principal obligation is in excess of the maximum limits prescribed in such section;

"(3) be executed by a mortgagor who the Secretary has determined, after a full and complete study of the case, would not be an acceptable credit risk for mortgage insurance purposes under section 203, 220, 221, 234, or 235(j)(4), because of his credit standing, debt obligations, total annual income, or income characteristics, but who the Secretary is satisfied would be a reasonably satisfactory credit risk, consistent with the objectives

stated in subsection (a), if he were to receive budget, debt management, and related counseling: *Provided*, That, in determining whether the mortgagor is a reasonably satisfactory credit risk, the Secretary shall review the credit history of the applicant giving special consideration to those delinquent accounts which were ultimately paid by the applicant and to extenuating factors which may have caused credit accounts of the applicant to become delinquent; and the Secretary shall also give special consideration to income characteristics of applicants whose total income over the two years prior to their applications has remained at levels of eligibility (as required under paragraph (4) of this subsection), but who, because of the character of their seasonal employment or for other reasons, have not maintained continuous employment under one employer during that time; and

"(4) require monthly payments which, in combination with local real estate taxes on the property involved, do not exceed 25 per centum of the applicant's income, based on his average monthly income during the year prior to his application or the average monthly income during the three years prior to his application, whichever is higher.

"(d) The Secretary shall give preference in approving mortgage insurance applications under this section to families living in public housing units, especially those families required to leave public housing because their incomes have risen beyond the maximum prescribed income limits, and families eligible for residence in public housing who have been displaced from federally assisted urban renewal areas.

"(e) The Secretary is authorized to provide, or contract with public or private organizations to provide, such budget, debt management, and related counseling services to mortgagors whose mortgages are insured under this section as he determines to be necessary to meet the objectives of this section. The Secretary may also provide such counseling to otherwise eligible families who lack sufficient funds to supply a downpayment to help them to save an amount necessary for that purpose.

"(f) The aggregate principal balance of all mortgages insured under this section and outstanding at one time shall not exceed $200,000,000.

"(g) There are authorized to be appropriated such sums as may be necessary to carry out the provisions of subsection (e) of this section."

(b) Section 226 of the National Housing Act is amended by inserting "235(i), 237," after "234,".

RELAXATION OF MORTGAGE INSURANCE REQUIREMENTS IN CERTAIN URBAN NEIGHBORHOODS

SEC. 103. (a) Section 223 of the National Housing Act is amended by adding at the end thereof a new subsection as follows:

"(e) Notwithstanding any of the provisions of this title except section 212, and without regard to limitations upon eligibility contained in any section of this title, the Secretary is authorized, upon application by the mortgagee, to insure under any section of this title a mortgage executed in connection with the repair, rehabilitation, construction, or purchase of property located in an older, declining urban area in which the conditions are such that one or more of the eligibility requirements applicable to the section of this title under which insurance is sought could not be met, if the Secretary finds that (1) the area is reasonably viable, giving consideration to the need for providing adequate housing for families of low and moderate income in such area, and (2) the property is an acceptable risk in view of such consideration. The insurance of a mortgage pursuant to this subsection shall be the obligation of the Special Risk Insurance Fund."

(b) Section 203(l) of such Act is repealed.

SPECIAL RISK INSURANCE FUND

SEC. 104. (a) Title II of the National Housing Act is amended by adding after section 237 (as added by section 102 of this Act) the following new section:

"PAYMENT OF INSURANCE—SPECIAL RISK INSURANCE FUND

"SEC. 238. (a)(1) Any mortgagee under a mortgage insured under section 235(i), 235(j)(4), or 237 shall be entitled to receive the benefits of the insurance as provided in section 204(a) with respect to mortgages insured under section 203. The provisions of subsections (b), (c), (d), (g), (j), and (k), of section 204 shall be applicable to mortgages insured under section 235(i), 235(j)(4), or 237, except that all references therein to the 'Mutual Mortgage Insurance Fund' shall be construed to refer to the 'Special Risk Insurance Fund', and all references therein to section 203 shall be construed to refer to section 235(i), 235(j)(4), or 237, as may be appropriate.

"(2) Any mortgagee under a mortgage insured under section 235(j)(1) or 236 shall be entitled to receive the benefits of insurance as provided in section 207(g) with respect to mortgages insured under section 207. The provisions of subsections (d), (e), (h), (i), (j), (k), (l), and (n) of section 207 shall be applicable to mortgages insured under section 235(j)(1) or 236, except that all references therein to the 'General Insurance Fund' shall be construed to refer to the 'Special Risk Insurance Fund' and the premium charge provided in section 207(d) shall be payable only in cash or debentures of the Special Risk Insurance Fund.

"(3) In lieu of the amount of insurance benefits computed pursuant to paragraph (1) or (2) of this subsection the Secretary, in his discretion and in accordance with such regulations as he may prescribe may, (with respect to any mortgage loan acquired by him) compute and pay insurance benefits to the mortgagee in a total amount equal to the unpaid principal balance of the loan plus any accrued interest and any advances approved by the Secretary and made previously by the mortgagee under the provisions of the mortgage.

"(b) There is hereby created a Special Risk Insurance Fund (hereinafter referred to as the 'fund') which shall be used by the Secretary as a revolving fund for carrying out the mortgage insurance obligations of sections 223(e), 233(a)(2), 235, 236, and 237, and the Secretary is hereby authorized to advance to the fund the sum of $5,000,000 from the General Insurance Fund established pursuant to the provisions of section 519. Such advance shall be repayable at such times and at such rates of interest as the Secretary deems appropriate. Premium charges, adjusted premium charges, inspection and other fees, service charges, and any other income received by the Secretary under sections 223(e), 233(a)(2), 235, 236, and 237, together with all earnings on the assets of the fund, shall be credited to the fund. All payments made pursuant to claims of mortgagees with respect to mortgages insured under sections 233(a)(2), 235, 236, and 237 or pursuant to section 223(e), cash adjustments, the principal of and interest paid on debentures which are the obligation of the fund, expenses incurred in connection with or as a consequence of the acquisition and disposal of property acquired under such sections, and all administrative expenses in connection with the mortgage insurance operations under such sections shall be paid out of the fund. There is authorized to be appropriated such sums as may be needed from time to time to cover losses sustained by the fund in carrying out the mortgage insurance obligations of sections 223(e), 233(a)(2), 235, 236, and 237. Moneys in the fund not needed for current operations of the fund shall be deposited with the Treasurer of the United States to the credit of the fund or invested in bonds or other obligations of, or in bonds or other obligations guaranteed by, the United States. The Secretary, with the approval of the Secretary of the Treasury, may purchase in the open market debentures which are the obligation of the fund. Such purchases shall be made at a price which will provide an investment yield of not less than the yield obtained from other investments authorized by this section. Debentures so purchased shall be canceled and not reissued."

(b) Section 224 of such Act is amended by striking out "or section 233" and inserting in lieu thereof "section 233, or section 238".

(c) Section 519(e) of such Act is amended by inserting after "section 213(k)" the following: ", or the provisions of sections 223(e), 233(a)(2), 235, 236 and 237".

CONDOMINIUM AND COOPERATIVE OWNERSHIP FOR LOW AND MODERATE INCOME FAMILIES

SEC. 105. (a) Section 221 of the National Housing Act is amended by adding at the end thereof two new subsections as follows:

"(i)(1) The Secretary is authorized, with respect to any project involving a mortgage insured under subsection (d)(3) which bears interest at the below-market interest rate prescribed in the proviso of subsection (d)(5), to permit a conversion of the ownership of such project to a plan of family unit ownership. Under such plan, each family unit shall be eligible for individual ownership and provision shall be included for the sale of the family units, together with an undivided interest in the common areas and facilities which serve the project, to low or moderate income purchasers. The Secretary shall obtain such agreements as he determines to be necessary to assure continued maintenance of the common areas and facilities. Upon such sale, the family unit and the undivided interest in the common areas shall be released from the lien of the project mortgage.

"(2)(A) The Secretary is authorized, upon application by the mortgagee, to insure under this subsection mortgages financing the purchase of individual family units under the plan prescribed in paragraph (1). Commitments may be issued by the Secretary for the insurance of such mortgages prior to the date of their execution or disbursement thereon, upon such terms and conditions as the Secretary may prescribe. To be eligible for such insurance, the mortgage shall—

"(i) be executed by a mortgagor having an income within the limits prescribed by the Secretary for occupants of projects financed with a mortgage insured under subsection (d)(3) which bears interest at the below-market rate prescribed in the proviso of subsection (d)(5);

"(ii) involve a principal obligation (including such initial service charges, and such appraisal, inspection, and other fees, as the Secretary shall approve) in an amount not to exceed the Secretary's estimate of the appraised value of the family unit, including the mortgagor's interest in the common areas and facilities, as of the date the mortgage is accepted for insurance;

"(iii) bear interest at a rate determined by the Secretary (which may vary in accordance with the regulations of the Secretary promulgated pursuant to the last sentence of paragraph (4) of this subsection) but not less than the below-market rate in effect under the proviso of subsection (d)(5) at the date of the commitment for insurance; and

"(iv) provide for complete amortization by periodic payments within such term as the Secretary may prescribe, but not to exceed the lesser of forty years from the beginning of amortization of the mortgage or three-quarters of the Secretary's estimate of the remaining economic life of the building improvements.

"(B) The price for which the individual family unit is sold to the low or moderate

income purchaser shall not exceed the appraised value of the property, as determined under subparagraph (A) (ii), except that the purchaser shall be required to pay on account of the property at the time of purchase at least such amount, in cash or its equivalent (which shall be not less than 3 per centum of such price, but which may be applied in whole or in part toward closing costs), as the Secretary may determine to be reasonable and appropriate.

"(3) Upon the sale of all of the family units covered by the project mortgage, and the release of all of the family units (including the undivided interest allocable to each unit in the common areas and facilities) from the lien of the project mortgage, the insurance of the project mortgage shall be terminated and no adjusted premium charge shall be collected by the Secretary upon such termination.

"(4) Any mortgage covering an individual family unit insured under this subsection shall contain a provision that, if the original mortgagor does not continue to occupy the property, the interest rate shall increase to the highest rate permissible under this section and the regulations of the Secretary effective at the time the commitment was issued for the insurance of the project mortgage; except that the requirement for an increase in interest rate shall not be applicable if the property is sold and the purchaser is (i) a nonprofit purchaser approved by the Secretary, or (ii) a low or moderate income purchaser who has an income within the limits prescribed by the Secretary for occupants of projects financed with a mortgage insured under subsection (d) (3) which bears interest at the below-market rate prescribed in the proviso of subsection (d) (5). The mortgage shall also contain a provision that, if the Secretary determines that the annual income of the original mortgagor (or a purchaser described in clause (ii) of the preceding sentence) has increased to an amount enabling payment of a greater rate of interest, the interest rate of the individual mortgage may be increased up to the highest rate permissible under the regulations of the Secretary for mortgages insured under this section effective at the time the commitment was issued for the insurance of the mortgage.

"(5) For the purpose of this subsection—

"(i) the term 'mortgage', when used in relation to a mortgage insured under paragraph (2) of this subsection, includes a first mortgage given to secure the unpaid purchase price of a fee interest in, or a long-term lease-hold interest in, a one-family unit in a multifamily project and an undivided interest in the common areas and facilities which serve the project; and

"(ii) the term 'common areas and facilities' includes the land and such commercial, community, and other facilities as are approved by the Secretary.

"(j) (1) The Secretary is authorized, with respect to any rental project involving a mortgage insured under subsection (d) (3) which bears interest at the below-market interest rate prescribed in the proviso of subsection (d) (5), to permit a conversion of the ownership of such project to a cooperative approved by the Secretary. Membership in such cooperative shall be made available only to those families having an income within the limits prescribed by the Secretary for occupants of projects financed with a mortgage insured under subsection (d) (3) which bears interested at such below-market rate: *Provided*, That families residing in the rental project at the time of its conversion to a cooperative who do not meet such income limits may be permitted to become members in the cooperative under such special terms and conditions as the Secretary may prescribe.

"(2) The Secretary is authorized, upon application by the mortgagee, to insure under this subsection cooperative mortgages financing the purchase of projects meeting the requirements of paragraph (1). Commitments may be issued by the Secretary for the insurance of such mortgages prior to the date of their execution or disbursement thereon, upon such terms and conditions as the Secretary may prescribe. To be eligible for such insurance, the mortgage shall—

"(i) involve a principal obligation (including such initial service charges and appraisal, inspection, and other fees as the Secretary shall approve) in an amount not exceeding the appraised value of the property for continued use as a cooperative, which value shall be based upon a mortgage amount on which the debt service can be met from the income of the property when operated on a nonprofit basis, after the payment of all operating expenses, taxes, and required reserves;

"(ii) bear interest at the below-market rate prescribed in the proviso of subsection (d) (5); and

"(iii) provide for complete amortization within such term as the Secretary may prescribe."

(b) Section 221(g) (1) of such Act is amended by striking out "or paragraph (5) of subsection (h) of this section" and inserting in lieu thereof "paragraph (5) of subsection (h) of this section, or paragraph (2) of subsection (i) of this section".

(c) Section 221(g) (2) of such Act is amended by striking out "or paragraph (1) of subsection (h)" and inserting in lieu thereof "paragraph (1) of subsection (h) of this section, or paragraph (2) of subsection (j),".

(d) Section 221(f) of such Act is amended by inserting after "subsection (h)" in the third sentence of the second paragraph the following: ", (i), or (j)".

ASSISTANCE TO NONPROFIT SPONSORS OF LOW AND MODERATE INCOME HOUSING

SEC. 106. (a) The Secretary of Housing and Urban Development is authorized to provide, or contract with public or private organizations to provide, information, advice, and technical assistance with respect to the construction, rehabilitation, and operation by nonprofit organizations of housing for low or moderate income families. Assistance by the Secretary may include—

(1) the assembly, correlation, publication, and dissemination of information with respect to the construction, rehabilitation, and operation of low and moderate income housing, and

(2) the provision of advice and technical assistance with respect to the construction, rehabilitation, and operation of low and moderate income housing.

(b) (1) The Secretary is authorized to make loans to nonprofit organizations for the necessary expenses, prior to construction, in planning, and obtaining financing for, the rehabilitation or construction of housing for low or moderate income families under any federally assisted program. Such loans shall be made without interest and shall not exceed 80 per centum of the reasonable costs expected to be incurred in planning, and in obtaining financing for, such housing prior to the availability of financing, including, but not limited to, preliminary surveys and analyses of market needs, preliminary site engineering and architectural fees, site acquisition, application and mortgage commitment fees, and construction loan fees and discounts. The Secretary shall require repayment of loans made under this subsection, under such terms and conditions as he may require, upon completion of the project or sooner, and may cancel any part or all of a loan if he determines that it cannot be recovered from the proceeds of any permanent loan made to finance the rehabilitation or construction of the housing.

(2) The Secretary shall determine prior to the making of any loan that the nonprofit organization meets such requirements with respect to financial responsibility and stability as he may prescribe.

(3) There are authorized to be appropriated for the purposes of this subsection not to exceed $7,500,000 for the fiscal year ending June 30, 1969, and not to exceed $10,000,000 for the fiscal year ending June 30, 1970. Any amounts so appropriated shall remain available until expended, and any amounts authorized for any fiscal year under this paragraph but not appropriated may be appropriated for any succeeding fiscal year.

(4) All funds appropriated for the purposes of this subsection shall be deposited in a fund which shall be known as the Low and Moderate Income Sponsor Fund, and which shall be available without fiscal year limitation and be administered by the Secretary as a revolving fund for carrying out the purposes of this subsection. Sums received in repayment of loans made under this subsection shall be deposited in such fund.

NATIONAL HOMEOWNERSHIP FOUNDATION

SEC. 107. (a) (1) There is hereby created a body corporate to be known as the "National Homeownership Foundation" (hereinafter referred to as the "Foundation") to carry out a continuing program of encouraging private and public organizations at the national, community, and neighborhood levels to provide increased homeownership and housing opportunities in urban and rural areas for lower income families through such means as—

(A) encouraging the investment in, and sponsoring of, housing for lower income families;

(B) encouraging the establishment of programs of assistance and counseling to lower income families to enable them better to achieve and afford adequate housing;

(C) providing a broad range of technical assistance through publications and advisory services to public and private organizations which are carrying out, or are desirous of carrying out, programs to expand homeownership and housing opportunities for lower income families; and

(D) providing grants and loans to public and private organizations carrying out homeownership and housing opportunity programs for lower income families to help cover some of the expenses of such programs.

(2) The Foundation shall be deemed to be a corporation without members organized and established under the provisions of the District of Columbia Nonprofit Corporation Act, with all the rights, powers, and responsibilities thereof except as limited by this section and any amendments thereto. This section shall constitute the articles of incorporation and charter of the Foundation, which shall not be an agency or instrumentality of the United States Government. The Congress expressly reserves the exclusive right to alter or amend this charter. The Foundation shall have succession until dissolved by Act of Congress. The Foundation shall maintain its principal office in the District of Columbia.

(3) No part of the net earnings of the Foundation shall inure to the benefit of any private person, and no substantial part of its activities shall be devoted to attempting to influence legislation. The Foundation shall not participate or intervene in any political campaign on behalf of any candidate for public office. The Foundation shall be operated and administered at all times as a charitable and educational foundation.

(4) No employee or officer of the Foundation shall receive compensation in excess of that received by or hereafter prescribed by law for heads of executive departments.

(5) The Foundation shall make maximum use of existing public and private agencies and programs, and in carrying out its functions the Foundation is authorized to contract with individuals, private corporations, organizations, and associations, and with agencies of the Federal, State, and local governments.

(6) The Foundation is authorized to receive donations and grants from individuals and from public and private organizations, foundations, and agencies.

(7) The Foundation may use only donated funds, or funds derived from payment of interest on loans made by it, for the principal and interest payments on any borrowings.

(b)(1) The Foundation shall have a Board of Directors consisting of eighteen members, fifteen of whom shall be appointed by the President of the United States, with the advice and consent of the Senate. The other three members shall be, ex officio, the Secretary of Housing and Urban Development, the Secretary of Agriculture, and the Director of the Office of Economic Opportunity. The President shall appoint one of the fifteen appointed members to serve as Chairman of the Board during his term of office as a member.

(2) Within thirty days after the date of enactment of this Act, the President shall appoint the fifteen appointed members of the Board. Not more than five of such members shall, at the time of their appointment, be serving full time as officers or employees of the Federal Government, or as officers or employees of any State or local government. Each appointed member of the Board shall hold office for a term of three years, except that (A) any member appointed to fill a vacancy prior to the expiration of the term for which his predecessor was appointed shall be appointed for the remainder of such term, and (B) the terms of the members first taking office shall expire, as designated by the President at the time of appointment, five at the end of the first year, five at the end of the second year, and five at the end of the third year after the date of appointment. Members of the Board, however appointed, shall be eligible for reappointment, but at no time shall there be more than five members of the Board who at the time of their appointment or reappointment were full-time officers or employees of the Federal Government or of any State or local government.

(3) Appointed members of the Board who are not employees of the Federal Government, while attending meetings or conferences of the Board or otherwise serving on business of the Board, shall be entitled to receive compensation at rates fixed by the President, but not exceeding $100 per day, including travel time, and while so serving away from their homes or regular places of business they may be allowed travel expenses, including per diem in lieu of subsistence, as authorized by section 5703 of title 5, United States Code, for persons in the Government service employed intermittently.

(4) The Board shall appoint an Executive Director of the Foundation. The Executive Director shall be the chief executive officer of the Foundation and shall serve at the pleasure of the Board, and all other executive officers and employees of the Board shall be responsible to him. The Board shall also cause to be appointed a secretary, a treasurer, and such other officers as may be necessary to conduct properly the business of the Foundation, and shall provide for filling vacancies in such offices.

(5) The Board shall adopt bylaws for the Foundation which shall be made available for public inspection upon request.

(c)(1) The Foundation shall assist public and private organizations, at their request, in initiating, developing, and conducting programs to expand homeownership and housing opportunities for lower income families. To provide such assistance and to carry out the purposes of this section, the Foundation is authorized to—

(A) carry out a continuing program of encouraging private and public organizations at the national, community, and neighborhood levels in the establishment of such programs;

(B) assist in the formation of organizations the purpose of which is the development and carrying out of such programs, including the establishment of local development funds for financing housing for lower income families through the pooling of moneys from private sources;

(C) identify and arrange for the technical and managerial assistance and personnel needed for the successful operation of such programs by public and private organizations;

(D) assist public and private organizations in obtaining the mortgage financing, insurance, and other requirements or aids necessary for conducting programs of housing construction, rehabilitation, or improvement for lower income families;

(E) arrange for, or provide on a limited basis, training for persons in the skills needed in administering programs of homeownership and housing opportunity for lower income families;

(F) encourage research and innovation, and collect and make available such information as may be desirable to further the purposes of this section, including but not limited to such activities as the sponsoring of seminars, conferences, and meetings and the establishment of a continuing information program to acquaint lower income families with the means they can use to improve the quality of their housing and the homeownership and housing opportunities available to them;

(G) assist private and public organizations in establishing, in connection with their homeownership and housing opportunity programs for lower income families, counseling and similar activities designed to advise lower income families of the means available to better themselves economically through job training and manpower development programs; and

(H) perform other similar services in order to further the purposes of this section.

(2) The Foundation may, if it deems it appropriate, charge a reasonable fee for any assistance or service provided under this subsection.

(d)(1) In order to assist public and private organizations which are carrying out homeownership and housing opportunity programs for lower income families to fill unmet needs, initiate exceptional programs, and experiment with new approaches and programs, the Foundation is authorized, subject to such terms and conditions as it may prescribe, to make grants and loans to such organizations to help defray the following expenses:

(A) organizational and administrative expenses incurred in commencing the operation of a program, or in expanding an existing program, to the extent that the activities are related to providing homeownership and housing opportunities for lower income families;

(B) necessary preconstruction costs incurred for architectural assistance, land options, application fees, and similar items; and

(C) the cost of carrying out programs providing counseling or similar services to lower income families for whom housing is being provided, in order to enable those families better to achieve and afford adequate housing, in such matters as home management, budget management, and home maintenance.

(2) In order to be eligible for a grant or loan under this subsection, the organization seeking such assistance shall demonstrate to the satisfaction of the Foundation that the funds requested are not otherwise available from Federal sources: *Provided*, That a grant or loan under this subsection may be provided to help cover that portion of the cost of an eligible activity not covered by Federal funds.

(3) The Foundation shall encourage cooperation between public and private organizations carrying out programs of homeownership and housing opportunity for lower income families and the neighborhoods and communities affected by such programs. To help assure such cooperation and in order to coordinate, to the maximum extent feasible, any construction or rehabilitation activities with the development goals of the neighborhood or community affected, no application for a loan or grant under this subsection shall be considered unless such application has been submitted to the governing body of the community affected, or to such other entity of local government as may be designated by the governing body, for such recommendations as the local governing body or its designee may desire to make. Any recommendations so made shall be given careful consideration by the Foundation before taking final action on any such application. If, upon the expiration of thirty days after any such application has been submitted to such governing body or its designee, such body or designee fails to provide such recommendations, the application may be considered without the benefit of such recommendations.

(e) The Foundation shall coordinate its activities and consult with the Department of Housing and Urban Development and other Federal departments and agencies engaged in providing homeownership and housing opportunities for lower income families.

(f)(1) Not later than one hundred and twenty days after the close of each fiscal year, the Foundation shall prepare and submit to the President and to the Congress a full report of its activities during such year. Such report shall include an account of the Foundation's experiences with the efforts of private and public organizations to expand homeownership and housing opportunities for lower income families, together with such recommendations as it deems appropriate.

(2) Whenever in its judgment the general unavailability of mortgage funds is sufficiently serious to deter the Foundation from carrying out its objective of expanding homeownership and housing opportunities for lower income families, the Foundation shall, in its annual report or in a separate report to the President and the Congress, state its findings and make such recommendations for alternate means of financing housing for such families as it deems appropriate.

(g)(1) The financial transactions of the Foundation shall be audited by the General Accounting Office in accordance with the principles and procedures applicable to commercial corporate transactions and under such rules and regulations as may be prescribed by the Comptroller General of the United States. The representatives of the General Accounting Office shall have access to all books, accounts, financial records, reports, files, and all other papers, things, or property belonging to or in use by the Foundation and necessary to facilitate the audit, and they shall be afforded full facilities for verifying transactions with the balances or securities held by depositories, fiscal agents, and custodians. The audit shall cover the fiscal year corresponding to that of the United States Government.

(2) A report of each such audit shall be made by the Comptroller General to the Congress not later than January 15 following the close of the fiscal year for which the audit was made. The report shall set forth the scope of the audit and shall include a statement of assets and liabilities, capital, and surplus or deficit; a statement of sources and application of funds; and such comments and information as may be deemed necessary to keep the Congress informed of the operations and financial condition of the Foundation, together with such recom-

mendations with respect thereto as the Comptroller General may deem advisable. The report shall also show specifically any program, expenditure, or other financial transaction or undertaking, observed in the course of the audit, which, in the opinion of the Comptroller General, has been carried on or made without authority of law. A copy of each report shall be furnished to the President and to the Foundation at the time submitted to the Congress.

(h) Funds of the Foundation shall be deposited, to the extent practicable, in accounts with financial institutions which are actively engaged in making loans or are otherwise carrying on activities in furtherance of homeownership and housing opportunities for lower income families.

(i) There is authorized to be appropriated to the Foundation not to exceed $10,000,000 to carry out the purposes of this section. Appropriations made hereunder shall remain available until expended.

NEW TECHNOLOGIES IN THE DEVELOPMENT OF HOUSING FOR LOWER INCOME FAMILIES

SEC. 108. (a) In order to encourage the use of new housing technologies in providing decent, safe, and sanitary housing for lower income families; to encourage large-scale experimentation in the use of such technologies; to provide a basis for comparison of such technologies with existing housing technologies in providing such housing; and to evaluate the effect of local housing codes and zoning regulations on the large-scale use of new housing technologies in the provision of such housing, the Secretary of Housing and Urban Development (hereinafter referred to as the "Secretary") shall institute a program under which qualified organizations, public and private, will submit plans for the development of housing for lower income families, using new and advanced technologies, on Federal land which has been made available by the Secretary for the purposes of this section, or on other land where (1) local building regulations permit the construction of experimental housing, or (2) State or local law permits variances from building regulations in the construction of experimental housing for the purpose of testing and developing new building technologies.

(b) The Secretary shall approve not more than five plans utilizing new housing technologies which are submitted to him pursuant to the program referred to in subsection (a) and which he determines are most promising in furtherance of the purposes of this section. In making such determination the Secretary shall consider—

(1) the potential of the technology employed for producing housing for lower income families on a large scale at a moderate cost;

(2) the extent to which the plan envisages environmental quality;

(3) the possibility of mass production of the technology; and

(4) the financial soundness of the organization submitting the plan, and the ability of such organization, alone or in combination with other organizations, to produce at least one thousand dwelling units a year utilizing the technology proposed.

(c) In approving projects for mortgage insurance under section 233(a)(2) of the National Housing Act (as added by subsection (f) of this section), the Secretary shall seek to achieve the construction of at least one thousand dwelling units a year over a five-year period for each of the various types of technologies proposed in approved plans under subsection (b). The Secretary shall evaluate each project with respect to which assistance is extended pursuant to this section with a view to determining (1) the detailed cost breakdown per dwelling unit, (2) the environmental quality achieved in each such unit, and (3) the effect which local housing codes and zoning regulations have, or would have if applicable, on the cost per dwelling unit.

(d) Notwithstanding the provisions of the Federal Property and Administrative Services Act of 1949, any land which is excess property within the meaning of such Act and which is determined by the Secretary to be suitable in furtherance of the purposes of this section may be transferred to the Secretary upon his request.

(e) The Secretary shall, at the earliest practicable date, report his findings with respect to projects assisted pursuant to this section (including evaluations of each such project in accordance with subsection (c)), together with such recommendations for additional legislation as he determines to be necessary or desirable to expand the available supply of decent, safe, and sanitary housing for lower income families through the use of technologies the efficacy of which has been demonstrated under this section.

(f)(1) Section 233(a) of the National Housing Act is amended—

(A) by inserting "(1)" after "(a)",

(B) by redesignating clauses (1), (2), and (3) as clauses (A), (B), and (C), respectively, and

(C) by adding at the end thereof the following new paragraph:

"(2) The Secretary is further authorized to insure and to make commitments to insure, under this section, mortgages (including advances on mortgages during construction) secured by properties in projects to be carried out in accordance with plans approved by the Secretary under section 108 of the Housing and Urban Development Act of 1968.".

(2) Section 233(c) of such Act is amended by inserting at the end thereof the following new sentence: "Any authority which the Secretary may exercise in connection with a mortgage, or property covered by a mortgage, insured under any other section of this title (including payments to reduce rentals for, or to facilitate homeownership by, lower income families) may be exercised in connection with a mortgage, or property covered by a mortgage, meeting the requirements of such other section (except as specified in subsection (b)), which is insured under this section to the same extent and in the same manner as if the mortgage insured under this section was insured under such other section."

INSURANCE PROTECTION FOR HOMEOWNERS

SEC. 109. (a) The Secretary of Housing and Urban Development is authorized, in cooperation with the private insurance industry, to develop a plan for the establishment at the earliest practicable date of an insurance program to help homeowners in meeting mortgage payments in times of personal economic adversity. Such insurance program shall be designed to protect mortgagors against foreclosure due to curtailment of income resulting from factors beyond their effective control, including such factors as death, disability, illness, and unemployment. Such insurance program shall also be designed to be actuarially sound through the use of premiums, fees, extended or increased payment schedules, or other similar methods, in conjunction with such Federal participation as may be necessary.

(b) Within six months following the date of enactment of this Act, the Secretary shall report to the Congress on his actions under this section, and shall recommend to the Congress such legislation as he deems appropriate to authorize him to enter into agreements with any insurance company, or any corporation or joint enterprise formed to provide home mortgage insurance protection, for the purpose of reinsuring insurance reserve funds, subsidizing premium payments on behalf of lower income mortgagors, or otherwise making possible the insurance protection of homeowners in accordance with subsection (a). In preparing such recommendations the Secretary shall consult with other agencies or instrumentalities of the United States which insure or guarantee home mortgages in order that such legislation as may be recommended affords equal benefits to mortgagors participating in their programs.

NATIONAL ADVISORY COMMISSION ON LOW INCOME HOUSING

SEC. 110. (a)(1) There is hereby established the National Advisory Commission on Low Income Housing (hereinafter referred to as the "Commission"). The Commission shall be composed of twenty-one members as follows:

(A) Four members appointed by the President of the Senate, two from the majority party and two from the minority party;

(B) Four members appointed by the Speaker of the House of Representatives, two from the majority party and two from the minority party; and

(C) Thirteen members appointed by the President, not more than three of whom shall be from the Federal Government, and of whom four shall be representative of persons, eligible for low income housing. Appointment shall be made by the President, whenever practicable, after consultation with the ranking majority and minority members of the Housing Subcommittees of the Committees on Banking and Currency of the Senate and House of Representatives.

(2) Any vacancy in the Commission shall not affect its powers, but shall be filled in the same manner in which the original appointment was made.

(3) Eleven members of the Commission shall constitute a quorum, but a lesser number may conduct hearings.

(4) The members of the Commission shall elect a Chairman and a Vice Chairman from the membership of the Commission.

(b)(1) The Commission shall undertake a comprehensive study and investigation, to further the policy set forth in section 2 of this Act, of practicable and effective ways of bringing decent, safe, and sanitary housing within the reach of low income families. Such study shall evaluate existing housing programs designed to assist such families, and explore new ways by which public and private resources may be more effectively utilized in meeting the housing needs of such families. In the carrying out of such study, the Commission may, where necessary or desirable, utilize the services of private research organizations, and shall, insofar as is practicable, seek to coordinate its investigation with studies undertaken, or being undertaken by the Banking and Currency Committees of the Senate and House of Representatives.

(2) The Commission shall be organized and begin its functions at the earliest possible date, and shall submit to the President and to the Congress an interim report with respect to its findings and recommendations not later than July 1, 1969. A final report of its findings and recommendations shall be submitted to the President and the Congress not later than July 1, 1970.

(c)(1) The Commission or, on the authorization of the Commission, any subcommittee or members thereof, may, for the purpose of carrying out the provisions of this section, hold such hearings, take such testimony, and sit and act at such times and places as the Commission deems advisable. Any member authorized by the Commission may administer oaths or affirmations to witnesses appearing before the Commission or any subcommittee or members thereof.

(2) Each department, agency, and instrumentality of the executive branch of the Government is authorized and directed to furnish to the Commission, upon request made by the Chairman or Vice Chairman, such information as the Commission deems necessary to carry out its functions under this section.

(3) Subject to such rules and regulations

as may be adopted by the Commission, the Chairman, without regard to the provisions of title 5, United States Code, governing appointments in the competitive service, and without regard to the provisions of chapter 51 and subchapter III of chapter 53 of such title relating to classification and General Schedule pay rates shall have the power—

(1) to appoint and fix the compensation of such staff personnel as he deems necessary, and

(2) to procure temporary and intermittent services to the same extent as is authorized by section 3109 of title 5, United States Code, but at rates not to exceed $50 a day for individuals.

(d)(1) Any member of the Commission who is appointed from the executive or legislative branch of the Government shall serve without compensation in addition to that received in his regular employment, but shall be entitled to reimbursement for travel, subsistence, and other necessary expenses incurred by him in the performance of duties vested in the Commission.

(2) Members of the Commission, other than those referred to in paragraph (1), shall receive compensation at the rate of $75 per day for each day they are engaged in the performance of their duties as members of the Commission and shall be entitled to reimbursement for travel, subsistence, and other necessary expenses incurred by them in the performance of their duties as members of the Commission.

(e) There are authorized to be appropriated, out of any money in the Treasury not otherwise appropriated, such sums as may be necessary to carry out this section.

(f) The Commission shall cease to exist thirty days after the submission of its final report.

TITLE II—RENTAL HOUSING FOR LOWER INCOME FAMILIES

PART A—PRIVATE HOUSING

RENTAL AND COOPERATIVE HOUSING FOR LOWER INCOME FAMILIES

SEC. 201. (a) Title II of the National Housing Act is amended by adding after section 235 (as added by section 101 of this Act) the following new section:

"RENTAL AND COOPERATIVE HOUSING FOR LOWER INCOME FAMILIES

"SEC. 236. (a) For the purpose of reducing rentals for lower income families, the Secretary is authorized to make, and to contract to make, periodic interest reduction payments on behalf of the owner of a rental housing project designed for occupancy by lower income families, which shall be accomplished through payments to mortgagees holding mortgages meeting the special requirements specified in this section.

"(b) Interest reduction payments with respect to a project shall only be made during such time as the project is operated as a rental housing project and is subject to a mortgage which meets the requirements of, and is insured under, subsection (j) of this section: *Provided,* That interest reduction payments may be made with respect to a rental or cooperative housing project owned by a private nonprofit corporation or other private nonprofit entity, a limited dividend corporation or other limited dividend entity, or a cooperative housing corporation, which is financed under a State or local program providing assistance through loans, loan insurance, or tax abatements, and which prior to completion of construction or rehabilitation is approved for receiving the benefits of this section.

"(c) The interest reduction payments to a mortgagee by the Secretary on behalf of a project owner shall be in an amount not exceeding the difference between the monthly payment for principal, interest, and mortgage insurance premium which the project owner as a mortgagor is obligated to pay under the mortgage and the monthly payment for principal and interest such project owner would be obligated to pay if the mortgage were to bear interest at the rate of 1 per centum per annum.

"(d) The Secretary may include in the payment to the mortgagee such amount, in addition to the amount computed under subsection (c), as he deems appropriate to reimburse the mortgagee for its expenses in handling the mortgage.

"(e) As a condition for receiving the benefits of interest reduction payments, the project owner shall operate the project in accordance with such requirements with respect to tenant eligibility and rents as the Secretary may prescribe. Procedures shall be adopted by the Secretary for review of tenant incomes at intervals of two years (or at shorter intervals where the Secretary deems it desirable).

"(f) For each dwelling unit there shall be established with the approval of the Secretary (1) a basic rental charge determined on the basis of operating the project with payments of principal and interest due under a mortgage bearing interest at the rate of 1 per centum per annum; and (2) a fair market rental charge determined on the basis of operating the project with payments of principal, interest, and mortgage insurance premium which the mortgagor is obligated to pay under the mortgage covering the project. The rental for each dwelling unit shall be at the basic rental charge or such greater amount, not exceeding the fair market rental charge, as represents 25 per centum of the tenant's income.

"(g) The project owner shall, as required by the Secretary, accumulate, safeguard, and periodically pay to the Secretary all rental charges collected in excess of the basic rental charges. Such excess charges shall be deposited by the Secretary in a fund which may be used by him as a revolving fund for the purpose of making interest reduction payments with respect to any rental housing project receiving assistance under this section, subject to limits approved in appropriation Acts pursuant to to subsection (i). Moneys in such fund not needed for current operations may be invested in bonds or other obligations of the United States or in bonds or other obligations guaranteed as to principal and interest by the United States.

"(h) In addition to establishing the requirements specified in subsection (e), the Secretary is authorized to make such rules and regulations, to enter into such agreements, and to adopt such procedures as he may deem necessary or desirable to carry out the provisions of this section.

"(i)(1) There are authorized to be appropriated such sums as may be necessary to carry out the provisions of this section, including such sums as may be necessary to make interest reduction payments under contracts entered into under this section. The aggregate amount of contracts to make such payments shall not exceed amounts approved in appropriation Acts, and payments pursuant to such contracts shall not exceed $75,000,000 per annum prior to July 1, 1969, which maximum dollar amount shall be increased by $100,000,000 on July 1, 1969, and by $125,000,000 on July 1, 1970.

"(2) Not more than 20 per centum of the total amount of interest reduction payments authorized to be contracted to be made pursuant to appropriation Acts shall be contracted to be made with respect to families, occupying rental housing projects assisted under this section; whose incomes at the time of the initial renting of the projects exceed 135 per centum of the maximum income limits which can be established in the area, pursuant to the limitations prescribed in sections 2(2) and 15(7)(b)(ii) of the United States Housing Act of 1937, for initial occupancy in public housing dwellings, but the income of such families at the time of the initial renting of the projects shall in no case exceed 90 per centum of the limits prescribed by the Secretary for occupants of projects financed with mortgages insured under section 221(d)(3) which bear interest at the below-market interest rate prescribed in the proviso of section 221(d)(5). The limitations prescribed in this paragraph shall be administered by the Secretary so as to accord a preference to those families whose incomes are within the lowest practicable limits for obtaining rental accommodations in projects assisted under this section. The Secretary shall report annually to the respective Committees on Banking and Currency of the Senate and House of Representatives with respect to the income levels of families living in projects assisted under this section.

"(j)(1) The Secretary is authorized, upon application by the mortgagee, to insure a mortgage (including advances on such mortgage during construction) which meets the requirements of this subsection. Commitments for the insurance of such mortgages may be issued by the Secretary prior to the date of their execution or disbursement thereon, upon such terms and conditions as he may prescribe.

"(2) As used in this subsection—

"(A) the terms 'family' and 'families' shall have the same meaning as in section 221;

"(B) the term 'elderly or handicapped families' shall have the same meaning as in section 202 of the Housing Act of 1959; and

"(C) the terms 'mortgage', 'mortgagee', and 'mortgagor' shall have the same meaning as in section 201.

"(3) To be eligible for insurance under this subsection, a mortgage shall meet the requirements specified in subsections (d)(1) and (d)(3) of section 221, except as such requirements are modified by this subsection. In the case of a project financed with a mortgage insured under this subsection which involves a mortgagor other than a cooperative or a private nonprofit corporation or association and which is sold to a cooperative or a nonprofit corporation or association, the Secretary is further authorized to insure under this subsection a mortgage given by such purchaser in an amount not exceeding the appraised value of the property at the time of purchase, which value shall be based upon a mortgage amount on which the debt service can be met from the income of the property when operated on a nonprofit basis, after payment of all operating expenses, taxes, and required reserves.

"(4) A mortgage to be insured under this subsection shall—

"(A) be executed by a private mortgagor eligible under subsection (d)(3) or (e) of section 221;

"(B) bear interest (exclusive of premium charges for insurance and service charges, if any) at not to exceed such per centum per annum (not in excess of 6 per centum), on the amount of the principal obligation outstanding at any time, as the Secretary finds necessary to meet the mortgage market; and

"(C) provide for complete amortization by periodic payments within such term as the Secretary may prescribe.

"(5) The property or project shall—

"(A) comply with such standards and conditions as the Secretary may prescribe to establish the acceptability of the property for mortgage insurance and may include such nondwelling facilities as the Secretary deems adequate and appropriate to serve the occupants and the surrounding neighborhood: *Provided,* That the project shall be predominantly residential and any nondwelling facility included in the mortgage shall be found by the Secretary to contribute to the economic feasibility of the project, and the Secretary shall give due consideration to the possible effect of the project on other business enterprises in the community: *Provided further,* That, in the case of a project designed primarily for occupancy by

elderly or handicapped families, the project may include related facilities for use by elderly or handicapped families, including cafeterias or dining halls, community rooms, workshops, infirmaries, or other inpatient or outpatient health facilities, and other essential service facilities;

"(B) include five or more dwelling units; and

"(C) be designed primarily for use as a rental project to be occupied by lower income families or by elderly or handicapped families: *Provided,* That lower income persons who are less than sixty-two years of age shall be eligible for occupancy in such a project, but not more than 10 per centum of the dwelling units in any such project shall be available for occupancy by such persons.

"(6) With the approval of the Secretary, the mortgagor may sell the individual dwelling units to lower income or elderly or handicapped purchasers. The Secretary may consent to the release of the mortgagor from his liability under the mortgage and the credit instrument secured thereby, or consent to the release of parts of the mortgaged property from the lien of the mortgage, upon such terms and conditions as he may prescribe, and the mortgage may provide for such release.

"(k) As used in this section the term 'tenant' includes a member of a cooperative; the term 'rental housing project' includes a cooperative housing project; and the terms 'rental' and 'rental charge' mean, with respect to members of a cooperative, the charges under the occupancy agreements between such members and the cooperative.

"(l) The Secretary shall from time to time allocate and transfer to the Secretary of Agriculture, for use (in accordance with the terms and conditions of this section) in rural areas and small towns, a reasonable portion of the total authority to contract to make periodic interest reduction payments as approved in appropriation Acts under subsection (i).

"(m) In determining the income of any person for the purposes of this section, there shall be deducted an amount equal to $300 for each minor person who is a member of the immediate family of such person and living with such family, and the earnings of any such minor person shall not be included in the income of such person or his family."

(b)(1) Section 212(a) of the National Housing Act is amended by striking out "or 232" in the first sentence of the second paragraph and inserting in lieu thereof ", 232, or 236".

(2) Section 227(a) of such Act is amended by striking out "or (viii) under section 234(d)" and inserting in lieu thereof "(viii) under section 234(d), or (ix) under section 236".

(3) Section 227(c) of such Act is amended by striking out "or section 233(b)(2)" each place it appears and inserting in lieu thereof "section 233, or section 236".

(c) The Secretary of Housing and Urban Development is authorized, upon such terms and conditions as he may prescribe, to transfer to section 236(j) of the National Housing Act the insurance of a mortgage which has not been finally endorsed for insurance under section 221(d)(3) of such Act and which has been approved for the below-market interest rate prescribed in the proviso of section 221(d)(5) of such Act.

(d) The Secretary of Housing and Urban Development is authorized, upon such terms and conditions as he may prescribe, to insure under section 236(j) of the National Housing Act a mortgage meeting the requirements of such section which is given to refinance a mortgage loan made under section 202 of the Housing Act of 1959: *Provided,* That the application for such insurance is filed with the Secretary on or before the date of project completion, or within such reasonable time thereafter as the Secretary may permit.

(e)(1) Section 101(d) of the Housing and Urban Development Act of 1965 is amended by adding at the end thereof the following: "In determining the income of any tenant for the purposes of this section, there shall be deducted an amount equal to $300 for each minor person who is a member of the immediate family of such tenant and living with such tenant, and the earnings of any such minor person shall not be included in the income of such tenant."

(2) Section 101(g) of such Act is amended by striking out "or section 231(c)(3)" and inserting in lieu thereof ", 231(c)(3), or section 236".

(3) Section 101(j)(1) of such Act is amended—

(A) by striking out "and" at the end of subparagraph (B);

(B) by striking out the period at the end of subparagraph (C) and inserting in lieu thereof "; and"; and

(C) by inserting after subparagraph (C) a new subparagraph as follows:

"(D) a private nonprofit corporation or other private nonprofit legal entity, a limited dividend corporation or other limited divided legal entity, or a cooperative housing corporation, which is assisted under section 236 of the National Housing Act and which has been approved for receiving the benefits of this section: *Provided,* That payments shall not be made with respect to more than 20 per centum of the dwelling units in any property so financed."

(f) Section 207 of the Appalachian Regional Development Act of 1965 is amended—

(1) by inserting in the heading "AND SECTION 236" immediately after "SECTION 221";

(2) by inserting "or section 236" after "section 221" each place it appears;

(3) by inserting "or 'section 236'" after "'section 221'" in subsection (a); and

(4) by inserting ", Government National Mortgage Association," immediately after "Federal Housing Administration" in subsection (c).

(g) The first sentence of section 305(i) of the National Housing Act is amended—

(1) by striking out "or (3)" and inserting in lieu thereof "(3)"; and

(2) by inserting after "221(e)" the following: ", or (4) a mortgage insured under section 236".

RENT SUPPLEMENT PROGRAM

SEC. 202. (a) Section 101(a) of the Housing and Urban Development Act of 1965 is amended by striking out everything after the word "exceed" the second time the word appears in the third sentence and inserting in lieu thereof the following: "$150,000,000 per annum prior to July 1, 1969, which maximum dollar amount shall be increased by $40,000,000 on July 1, 1969, and by $100,000,000 on July 1, 1970."

(b) Section 101(b) of such Act is amended by inserting after the first sentence the following: "Such term also includes a private nonprofit corporation or other private nonprofit legal entity, a limited dividend corporation or other limited dividend legal entity, or a cooperative housing corporation, which is the owner of a rental or cooperative housing project financed under a State or local program providing assistance through loans, loan insurance, or tax abatement and which prior to completion of construction or rehabilitation is approved for receiving the benefits of this section."

PART B—LOW-RENT PUBLIC HOUSING

INCREASED LOW-RENT PUBLIC HOUSING AUTHORIZATION

SEC. 203. (a) Section 10(e) of the United States Housing Act of 1937 is amended by striking out "$366,250,000 per annum, which limit shall be increased by $47,000,000 on the date of enactment of the Housing and Urban Development Act of 1965, and by further amounts of $47,000,000 on July 1 in each of the years 1966, 1967, and 1968, respectively," in the first sentence and inserting in lieu thereof the following: "$554,250,000 per annum, which limit shall be increased by $100,000,000 on the date of enactment of the Housing and Urban Development Act of 1968 and by further amounts of $150,000,000 on July 1 in each of the years 1969 and 1970,".

(b) Section 20 of such Act is amended—

(1) by striking out "not to exceed $1,500,000,000" in the first sentence and inserting in lieu thereof "which shall not, unless authorized by the President, exceed $1,500,000,000"; and

(2) by inserting after the first sentence the following: "For the purpose of determining obligations incurred to make loans pursuant to this Act against any limitation otherwise applicable with respect to such loans, the Secretary shall estimate the maximum amount to be loaned at any one time pursuant to loan agreements then outstanding with public housing agencies."

UPGRADING MANAGEMENT AND SERVICES IN PUBLIC HOUSING PROJECTS

SEC. 204. Section 15 of the United States Housing Act of 1937 is amended by adding at the end thereof the following new paragraph:

"(10) The Secretary is authorized to enter into contracts to make grants to public housing agencies to assist, where necessary, in financing tenant services for families living in low-rent housing projects. In making such contracts and grants, the Secretary shall give preference to programs providing for the maximum feasible participation of the tenants in the development and operation of such tenant services. For purposes of this paragraph the term 'tenant services' includes the following services and activities for families living in low-rent housing projects: counseling on household management, housekeeping, budgeting, money management, child care, and similar matters; advice as to resources for job training and placement, education, welfare, health, and other community services; services which are directly related to meeting tenant needs and providing a wholesome living environment; and referral to appropriate agencies when necessary for the provision of such services. To the maximum extent available and appropriate, existing public and private agencies in the community shall be used for the provision of such services. There are authorized to be appropriated for the purposes of this paragraph not to exceed $15,000,000 for the fiscal year ending June 30, 1969, and not to exceed $30,000,000 for the fiscal year ending June 30, 1970. Any amount so appropriated shall remain available until expended, and any amounts authorized for any fiscal year under this paragraph but not appropriated may be appropriated for any succeeding fiscal year commencing prior to July 1, 1970."

PURCHASE OF UNITS BY TENANTS

SEC. 205. Section 15(9) of the United States Housing Act of 1937 is amended by striking out "which is suitable by reason of its detached or semidetached construction" and inserting in lieu thereof ", if the property to be acquired is sufficiently separable from other property retained by the public housing agency to make it suitable".

PUBLIC HOUSING IN INDIAN AREAS

SEC. 206. (a) Section 1 of the United States Housing Act of 1937 is amended by striking out "urban and rural nonfarm" in the first sentence and inserting in lieu thereof "urban, rural nonfarm, and Indian".

(b) Section 10(a) of such Act is amended by inserting "or Indian" after "nonfarm" in the fourth proviso.

LIMITATION ON HIGH-RISE STRUCTURES IN LOW-RENT PUBLIC HOUSING PROJECTS

SEC. 207. Section 15 of the United States Housing Act of 1937 is amended by adding at the end thereof (after the new paragraph added by section 204 of this Act) the following new paragraph:

"(11) Except in the case of housing predominantly for the elderly, upon enactment of this paragraph, the Secretary shall not approve high-rise elevator projects for families with children unless he makes a determination that there is no practical alternative."

SALE TO TENANTS OF LOW-RENT HOUSING IN PRIVATE ACCOMMODATIONS

SEC. 208. (a) Section 23(f) of the United States Housing Act of 1937 is amended by inserting "(1)" after "shall not apply to", and by inserting before the period at the end thereof the following: ", or (2) housing purchased (or in the process of purchase) by the public housing agency for resale to tenants as provided in subsection (g)".

(b) Section 23 of such Act is further amended by adding at the end thereof the following new subsection:

"(g) To the extent authorized in contracts entered into by the Authority with a public housing agency, such agency may purchase any structure containing one or more dwelling units leased to provide low-rent housing in private accommodations under this section for the purpose of reselling the structure to the tenant or tenants of the structure or to a group of such tenants occupying units aggregating in value at least 80 per centum of the structure's total value. Any such resale shall be made subject to such terms and conditions (including provisions for deferment of the required downpayment and for elimination of or adjustments in the required interest payments during a temporary period) as may be necessary to enable the tenants involved to make the purchase without undue financial hardship."

ADDITIONAL SUBSIDY FOR LARGE FAMILIES AND FAMILIES OF UNUSUALLY LOW INCOME

SEC. 209. (a) Section 2(2) of the United States Housing Act of 1937 is amended by inserting at the end thereof the following new sentences: "The term 'large families' means families which include four or more minors. The term 'families of unusually low income' means families with incomes below the income level established by the public housing agency, as approved by the Authority, who could not be housed without the additional subsidy authorized under section 10(a)."

(b) The first proviso in section 10(a) of such Act is amended—

(1) by inserting after "an elderly family," the following: "or a large family, or a family of unusually low income,";

(2) by striking out "to lease the dwelling unit to an elderly or displaced family at a rental it could afford and"; and

(3) by striking out ", and, in the case of displaced families, if and to the extent that the average or estimated average rental for units so occupied by such families was less than the rental which the Authority determines, on the basis of the average or estimated average project rentals, would have been established in leasing the units to families which were neither elderly nor similiarly displaced".

PROHIBITION AGAINST CERTAIN LIMITATIONS ON TYPES OR CATEGORIES OF LOW-RENT HOUSING IN PRIVATE ACCOMMODATIONS

SEC. 210. The first sentence of section 23(d) of the United States Housing Act of 1937 is amended by inserting before the period at the end thereof the following: "(and no limitation not specifically provided for in this section shall be imposed by regulations of the Authority on the types or categories of structures or dwelling units, qualifying under subsection (a)(3) and approved under subsection (c), which may be so used in any community)".

TITLE III—FEDERAL HOUSING ADMINISTRATION INSURANCE OPERATIONS

MORTAGE INSURANCE PREMUIMS FOR SERVICEMEN AND THEIR WIDOWS

SEC. 301. Section 222 of the National Housing Act is amended—

(1) by striking out "Secretary of the Treasury" each place it appears and inserting in lieu thereof "Secretary of Transportation"; and

(2) by adding at the end thereof two new subsections as follows:

"(f) The Secretary is authorized to transfer to this section the insurance on any mortgage covering a single-family dwelling or a one-family unit in a condominium project insured under this Act, if the mortgage indebtedness thereof has been assumed by a serviceman who at the time of assumption is the owner of the property and either occupies the property or certifies that his failure to do so is the result of his military assignment, or, in the case of the United States Coast Guard, other assignment.

"(g) Where a serviceman dies while on active duty in the Armed Forces of the United States or in the United States Coast Guard, leaving a surviving widow as owner of the property, the periods of ownership by the serviceman (within the meaning of subsection (c) of this section) shall extend for two years beyond the date of the serviceman's death or until the date the widow disposes of the property, whichever date occurs first. The Secretary of Defense or the Secretary of Transportation, as the case may be, shall notify such widow promptly following the serviceman's death of the additional costs to be borne by the mortgagor following termination of the two-year period."

MODIFICATIONS IN TERMS OF INSURED MORTGAGES COVERING MULTIFAMILY PROJECTS

SEC. 302. Title II of the National Housing Act is amended by adding after section 238 (as added by section 104 of this Act) the following new section:

"MODIFICATIONS IN TERMS OF INSURED MORTGAGES COVERING MULTIFAMILY PROJECTS

"SEC. 239. (a) The Secretary shall not consent to any request for an extension of the time for curing a default under any mortgage covering multifamily housing, as defined in the regulations of the Secretary, or for a modification of the terms of such mortgage, except in conformity with regulations prescribed by the Secretary in accordance with the provisions of this section. Such regulations shall require, as a condition to the granting of any such request, that, during the period of such extension or modification, any part of the rents or other funds derived by the mortgagor from the property covered by the mortgage which is not required to meet actual and necessary expenses arising in connection with the operation of such property, including amortization charges under the mortgage, be held in trust by the mortgagor and distributed only with the consent of the Secretary; except that the Secretary may provide for the granting of consent to any request for an extension of the time for curing a default under any mortgage covering multifamily housing, or for a modification of the terms of such mortgage, without regard to the foregoing requirements, in any case or class of cases in which an exemption from such requirement does not (as determined by the Secretary) jeopardize the interests of the United States.

"(b) Whoever, as an owner of a property which is security for a mortgage described in subsection (a), or as a stockholder of a corporation owning such property, or as a beneficial owner under any business organization or trust owning such property, or as an officer, director, or agent of any such owner, (1) willfully uses or authorizes the use of any part of the rents or other funds derived from property covered by such mortgage in violation of a regulation prescribed by the Secretary under subsection (a), or (2) if such mortgage is determined, as provided in subsection (a), to be exempt from the requirement of any such regulation or is not otherwise covered by such regulation, willfully and knowingly uses or authorizes the use, while such mortgage is in default, of any part of the rents or other funds derived from the property covered by such mortgage for any purpose other than to meet actual and necessary expenses arising in connection with such property (including amortization charges under the mortgage), shall be fined not more than $5,000 or imprisoned not more than three years, or both."

CONDOMINIUMS

SEC. 303. (a) Section 234(c) of the National Housing Act is amended by striking out "rental housing, and (3)" in the first sentence and inserting in lieu thereof the following: "rental housing: *Provided,* That a one-family unit in a multifamily project involving eleven or less units shall be eligible for insurance without having been covered by a project mortgage, and (3)".

(b) Section 234(c) of such Act is further amended by striking out "(iii) 75 per centum" in the third sentence and inserting in lieu thereof "(iii) 80 per centum".

(c) Section 234(f) of such Act is amended by striking "five" and inserting in lieu thereof "four".

INSURANCE OF LOANS FOR PURCHASE OF FEE SIMPLE TITLE FROM LESSORS

SEC. 304. (a) Title II of the National Housing Act is amended by adding after section 239 (as added by section 302 of this Act) the following new section:

"PURCHASE OF FEE SIMPLE TITLE FROM LESSORS

"SEC. 240. (a) The Secretary is authorized, upon such terms and conditions as he may prescribe, to make commitments to insure and to insure loans made by financial institutions for the purpose of financing purchasers by homeowners of the fee simple title to property on which their homes are located.

"(b) As used in this section—

"(1) the term 'financial institution' means a lender approved by the Secretary as eligible for insurance under section 2 or a mortgagee approved under section 203(b)(1); and

"(2) the term 'homeowner' means a lessee under a long-term ground lease.

"(c) To be eligible for insurance under this section, a loan shall—

"(1) relate to property on which there is located a dwelling designed principally for a one-, two-, three-, or four-family residence;

"(2) not exceed the cost of purchasing the fee simple title, or $10,000 per family unit, whichever is the lesser;

"(3) be, limited to an amount which when added to any outstanding indebtedness related to the property (as determined by the Secretary) creates a total outstanding indebtedness which does not exceed the applicable mortgage limit prescribed in section 203(b);

"(4) bear interest at not to exceed such per centum per annum (not in excess of 6 per centum), on the amount of the principal obligation outstanding at any time, as the Secretary finds necessary to meet market conditions, and such other charges (including service charges and appraisal, inspection, and other fees) as may be approved by the Secretary;

"(5) have a maturity satisfactory to the Secretary, but not to exceed twenty years from the beginning of amortization of the loan or three-quarters of the remaining economic life of the home, whichever is the lesser; and

"(6) comply with such other terms, conditions, and restrictions as the Secretary may prescribe.

"(d) The provisions of paragraphs (3), (5), (6), (7), (8), and (10) of section 220(h) shall be applicable to loans insured under this section and, as applied to loans insured under this section, references in those paragraphs to 'home improvement loans' and 'this subsection' shall be construed to refer to loans under this section."

(b) Section 5(c) of the Home Owners' Loan Act of 1933 (12 U.S.C. 1464(c)) is amended by adding immediately after the next to the last paragraph the following new paragraph:

"Notwithstanding any other provision of this subsection, an association may invest in loans or obligations, or interests therein, as to which the association has the benefit of insurance under section 240 of the National Housing Act, or of a commitment or agreement therefor, and such investments shall not be included in any percentage of assets or other percentage referred to in this subsection."

EXTENSION OF SECTION 221(d)(2) SALES HOUSING PROGRAM FOR TWO-, THREE-, AND FOUR-FAMILY RESIDENCES TO ALL LOW AND MODERATE INCOME FAMILIES

SEC. 305. Section 221(d)(2) of the National Housing Act is amended by striking out "a displaced family" at the end of the first proviso and inserting in lieu thereof "the mortgagor".

REMOVAL OF DIVIDEND RESTRICTION FOR NONDWELLING FACILITIES IN SECTION 221 PROJECTS

SEC. 306. Section 221(f) of the National Housing Act is amended by striking out in the first sentence all that follows the word "mortgage" in the proviso and inserting in lieu thereof ": *Provided further*, That, in the case of a mortgage which bears interest at the below-market interest rate prescribed in the proviso of subsection (d)(5), the provisions of section 220(d)(3)(B)(iv) shall only apply if the mortgagor waives the right to receive dividends on its equity investment in the portion thereof devoted to commercial facilities."

SUPPLEMENTAL LOAN PROGRAM FOR PROJECTS FINANCED WITH FEDERAL HOUSING ADMINISTRATION INSURED MORTGAGES

SEC. 307. Title II of the National Housing Act is amended by adding after section 240 (as added by section 304 of this Act) the following new section:

"SUPPLEMENTAL LOANS FOR MULTIFAMILY PROJECTS

"SEC. 241. (a) With respect to a multifamily project or group practice facility covered by a mortgage insured under any section or title of this Act, the Secretary is authorized, upon such terms and conditions as he may prescribe, to make commitments to insure, and to insure, supplemental loans (including advances during construction or improvement) made by financial institutions approved by the Secretary. As used in this section, 'supplemental loan' means a loan, advance of credit, or purchase of an obligation representing a loan or advance of credit made for the purpose of financing improvements or additions to such project or facility: *Provided*, That a loan involving a nursing home covered by a mortgage insured under section 232 or a loan involving a group practice facility covered by a mortgage insured under title XI may also be made for the purpose of financing equipment to be used in the operation of such nursing home or facility.

"(b) To be eligible for insurance under this section, a supplemental loan shall—

"(1) be limited to 90 per centum of the amount which the Secretary estimates will be the value of such improvements, additions, and equipment, except that such amount when added to the outstanding balance of the mortgage covering the project or facility, shall not exceed the maximum mortgage amount insurable under the section or title pursuant to which the mortgage covering such project or facility is insured;

"(2) have a maturity satisfactory to the Secretary but not to exceed the remaining term of the mortgage;

"(3) bear interest (exclusive of premium charges for insurance and service charges, if any) at not to exceed such per centum per annum (not in excess of 6 per centum), on the amount of the principal obligation outstanding at any time, as the Secretary finds necessary to meet market conditions;

"(4) be secured in such manner as the Secretary may require;

"(5) be governed by the labor standards provisions of section 212 that are applicable to the section or title pursuant to which the mortgage covering the project or facility is insured; and

"(6) contain such other terms, conditions, and restrictions as the Secretary may prescribe.

"(c) The provisions of subsections (d), (e), (g), (h), (i), (j), (k), (l), and (n) of section 207 shall be applicable to loans insured under this section, except that (1) all references to the term 'mortgage' shall be construed to refer to the term 'loan' as used in this section, (2) loans involving projects covered by a mortgage insured under section 213 that is the obligation of the Cooperative Management Housing Insurance Fund shall be insured under and shall be the obligation of such fund, and (3) loans involving projects covered by a mortgage insured under section 236 shall be insured under and shall be the obligation of the Special Risk Insurance Fund."

HOME IMPROVEMENT LOANS—INCREASE IN MAXIMUM MATURITY, FINANCE CHARGE, AND LOAN AMOUNT

SEC. 308. Section 2(b) of the National Housing Act is amended—

(1) by striking out "$3,500" and inserting in lieu thereof "$5,000";

(2) by striking out "five years" and inserting in lieu thereof "seven years";

(3) by striking out "$5 discount" and inserting in lieu thereof "$5.50 discount"; and

(4) by striking out "$4 discount" and inserting in lieu thereof "$4.50 discount".

EXPERIMENTAL HOUSING PROGRAM

SEC. 309. Section 233 of the National Housing Act is amended—

(1) by striking out "of this title" immediately before the semicolon in subsection (b) and inserting in lieu thereof "or titles of this Act"; and

(2) by striking out "of this title" in subsection (e) and inserting in lieu thereof "or title of this Act".

TERM OF FEDERAL HOUSING ADMINISTRATION MORTGAGES FOR LAND DEVELOPMENT

SEC. 310. Section 1002(d)(1) of the National Housing Act is amended—

(1) by striking out "seven" and inserting in lieu thereof "ten"; and

(2) by striking out the semicolon and inserting in lieu thereof the following: ": *Provided*, That the Secretary may agree to a reasonable extension of the term of a mortgage, the maturity of which is limited by this paragraph to not more than ten years, if he determines that unusual or unforeseen circumstances make such extension necessary to avoid undue hardship to the mortgagor;".

REHABILITATED MULTIFAMILY PROJECTS IN URBAN RENEWAL AREAS

SEC. 311. (a) Section 220(d)(3)(B)(ii) of the National Housing Act is amended by inserting immediately before the semicolon at the end thereof ": *Provided further*, That the mortgage may involve the financing of the purchase of property which has been rehabilitated by a local public agency with Federal assistance pursuant to section 110(c)(8) of the Housing Act of 1949, and, in such case the foregoing limitations upon the amount of the mortgage shall be based upon the appraised value of the property as of the date the mortgage is accepted for insurance".

(b) Section 221(d)(3)(iii) of such Act is amended by inserting immediately before the colon at the end of the first proviso ": *Provided further*, That the mortgage may involve the financing of the purchase of property which has been rehabilitated by a local public agency with Federal assistance pursuant to section 110(c)(8) of the Housing Act of 1949, and, in such case, the amount of the mortgage shall not exceed the appraised value of the property as of the date the mortgage is accepted for insurance".

MISCELLANEOUS HOUSING INSURANCE

SEC. 312. (a) Section 223 of the National Housing Act is amended—

(1) by striking out so much of subsection (a) as precedes paragraph (1) and inserting in lieu thereof the following:

"(a) Notwithstanding any of the provisions of this Act and without regard to limitations upon eligibility contained in any section or title of this Act, the Secretary is authorized, upon application by the mortgagee, to insure or make commitments to insure under any section or title of this Act any mortgage—":

(2) by striking out "applicable to loans insured under section 203, 207, 213, 220, 221, 222, 231, 232, or 233, as the case may be" in the first and second provisos of subsection (a)(7) and inserting in lieu thereof "prescribed under the applicable section or title of this Act";

(3) by striking out "this title" each time it appears in subsection (c) and inserting in lieu thereof "this Act";

(4) by striking out "title I, title II, title VI, title VII, title VIII, or title IX" in subsection (c) and inserting in lieu thereof "any section or title of this Act"; and

(5) by striking out "(except that in any case the payment of insurance shall be in debentures)" at the end of subsection (c).

(b) Section 223(d) of such Act is amended by striking out all that follows "as he may prescribe," and inserting in lieu thereof the following: "insure under the same section as the original mortgage a loan by the mortgagee in an amount not exceeding the excess of the foregoing expenses over the project income. Such loan shall (1) bear interest (exclusive of premium charges for insurance) at not to exceed the per centum per annum currently permitted for mortgages insured under the section under which it is to be insured, (2) be secured in such manner as the Secretary shall require, and (3) be limited to a term not exceeding the unexpired term of the original mortgage. The Secretary is authorized to collect a premium charge for insurance of loans pursuant to this subsection in an amount computed at the same premium rate as is applicable to the original mortgage. This premium shall be payable in cash or in debentures of the insurance fund under which the loan is insured at par plus accrued interest. In the event of a failure of the borrower to make any payment due under such loan or under the original mortgage, both the loan and original mortgage shall be considered in default, and if such default continues for a period of thirty days, the lender shall be entitled to insurance benefits, computed in the same manner as for the original mortgage, except that in determining the interest rate under section 224 for the debentures representing the portion of the claim applicable to the loan, the date of the commitment to insure the loan and the insurance date of the loan shall be taken into consideration rather than the commitment or insurance date for the original mortgage."

SUPPLEMENTARY LOANS FOR COOPERATIVE HOUSING PURCHASED FROM THE FEDERAL GOVERNMENT

SEC. 313. Section 213(j) of the National Housing Act is amended—

(1) by inserting after the first sentence of paragraph (1) the following sentence: "The Secretary is further authorized to make commitments to insure and to insure supplementary cooperative loans (including advances during construction or improvement) with respect to any property purchased from the Federal Government by a nonprofit corporation or trust of the character described in paragraph (1) of subsection (a), if the property is covered by an uninsured mortgage representing a part of the purchase price."; and

(2) by adding before the semicolon at the end of paragraph (2)(B) the following: "; except that, in the case of repairs or improvements to a property covered by an uninsured mortgage dated more than twenty years prior to the date of the commitment to insure, of such magnitude that the Secretary deems them to be a major rehabilitation or modernization of such property, the loan may have a maturity date up to ten years in excess of the remaining term of the uninsured mortgage".

EQUIPMENT IN NURSING HOMES

SEC. 314. Section 232 of the National Housing Act is amended—

(1) by striking out subsection (b)(2) and inserting in lieu thereof the following:

"(2) the term 'mortgage' means a first mortgage on real estate in fee simple, or on the interest of either the lessor or lessee thereof (A) under a lease for not less than ninety-nine years which is renewable, or (B) under a lease having a period of not less than fifty years to run from the date the mortgage was executed. The term 'first mortgage' means such classes of first liens as are commonly given to secure advances (including but not limited to advances during construction) on, or the unpaid purchase price of, real estate under the laws of the State in which the real estate is located, together with the credit instrument or instruments, if any, secured thereby, and any mortgage may be in the form of one or more trust mortgages or mortgage indentures or deeds of trust, securing notes, bonds, or other credit instruments, and, by the same instrument or by a separate instrument, may create a security interest in initial equipment, whether or not attached to the realty. The term 'mortgagor' shall have the meaning set forth in section 207(a) of this Act.":

(2) by striking out so much of subsection (d) as precedes paragraph (1) and inserting in lieu thereof the following:

"(d) In order to carry out the purposes of this section, the Secretary is authorized to insure any mortgage which covers a new or rehabilitated nursing home, including equipment to be used in its operation, subject to the following conditions:"; and

(3) by striking out "when the proposed improvements are completed" before the period at the end of subsection (d)(2) and inserting in lieu thereof the following: ", including equipment to be used in the operation of the nursing home, when the proposed improvements are completed and the equipment is installed".

FLEXIBLE INTEREST RATES FOR CERTAIN FHA INSURANCE PROGRAMS

SEC. 315. Section 3(a) of the Act entitled "An Act to amend chapter 37 of title 38 of the United States Code with respect to the veterans' home loan program, to amend the National Housing Act with respect to interest rates on insured mortgages, and for other purposes", approved May 7, 1968, is amended by inserting "235(j)(2)(C), 236(j)(4)(B), 240(c)(4), 241(b)(3), 242(d)(3)(B)," after "234(f),".

FHA SECTION 221(H) PROGRAM

SEC. 316. (a) Section 221(h)(2)(A) of the National Housing Act is amended to read as follows:

"(A) be executed by a private nonprofit corporation or association, approved by the Secretary, for financing the purchase and rehabilitation (with the intention of subsequent resale) of property comprising one or more tracts or parcels, whether or not contiguous, upon which there is located deteriorating or substandard housing consisting of (i) four or more single-family dwellings of detached, semidetached, or row construction, or (ii) four or more one-family units in a structure or structures for which a plan of family unit ownership approved by the Secretary is established;".

(b) Section 221(h) of such Act is amended by adding at the end thereof (after the new paragraph added by section 101(c)(3) of this Act) two new paragraphs as follows:

"(7) Where the Secretary has approved a plan of family unit ownership, the terms 'single-family dwelling', 'single-family dwellings', 'individual dwelling', and 'individual dwellings' shall mean a family unit or family units, together with the undivided interest (or interests) in the common areas and facilities.

"(8) For purposes of this subsection, the terms 'single-family dwelling' and 'single-family dwellings' (except for purposes of paragraph (7)) shall include a two-family dwelling which has been approved by the Secretary if one of the units is to be occupied by the owner."

HOUSING IN OUTLYING AREAS

SEC. 317. Section 203(i) of the National Housing Act is amended by striking out "not in excess of $12,500" and inserting in lieu thereof "not in excess of $13,500".

SEASONAL HOMES

SEC. 318. Section 203 of the National Housing Act is amended by adding at the end thereof the following new subsection:

"(m) The Secretary is authorized to insure under this section any mortgage meeting the requirements of subsection (b) of this section, except as modified by this subsection. To be eligible, the mortgage shall involve a principal obligation not in excess of $15,000 and not in excess of 75 per centum of the appraised value of the property, as of the date the mortgage is accepted for insurance. The mortgage shall cover a dwelling for single-family occupancy which is approved for mortgage insurance prior to the beginning of construction. The dwelling need not be designed for year-round occupancy, but it shall (1) meet standards prescribed by the Secretary, and (2) be located in an area where the Secretary finds it is not practicable to obtain conformity with many of the requirements essential to the insuring of mortgages on housing in built-up urban areas. The development of the property with respect to which the mortgage is executed shall be consistent with the conservation of water and other natural resources of the area, and such property shall be an acceptable risk, giving consideration to the economic potential of the area in which the dwelling is located and the contribution that the housing will make toward improving the area. The Secretary may suspend the issuance of commitments under this subsection for the insurance of mortgages secured by properties situated in any area, whenever he determines that (i) there is a serious and unusual shortage of mortgage funds for residential construction in such area, (ii) such insurance would affect materially and adversely the availability of mortgage funds for residential construction in such area, and (iii) such suspension would not have an adverse impact upon the balanced economic development of the area."

TITLE IV—GUARANTEES FOR FINANCING NEW COMMUNITY LAND DEVELOPMENT

CITATION

SEC. 401. This title may be referred to as the "New Communities Act of 1968".

PURPOSE

SEC. 402. It is the purpose of this title, by facilitating the enlistment of private capital in new community development, to encourage the development of new communities that—

(1) contribute to the general betterment of living conditions through the improved quality of community development made possible by a consistent design for the provision of homes, commercial and industrial facilities, public and community facilities, and open spaces.

(2) make substantial contributions to the sound and economic growth of the areas in which they are located;

(3) provide needed additions to the general housing supply;

(4) provide opportunities for innovation in housing and community development technology and in land use planning;

(5) enlarge housing and employment opportunities by increasing the range of housing choice and providing new investment opportunities for industry and commerce;

(6) encourage the maintenance and growth of a diversified local homebuilding industry; and

(7) include, to the greatest extent feasible, the employment of new and improved technology, techniques, materials, and methods in housing construction, rehabilitation, and maintenance under programs administered by the Department of Housing and Urban Development with a view to reducing the cost of such construction, rehabilitation, and maintenance, and stimulating the increased and sustained production of housing under such programs.

GUARANTEE AUTHORITY

SEC. 403. To carry out the purposes of this title the Secretary is authorized to guarantee, and enter into commitments to guarantee, the bonds, debentures, notes, and other obligations issued by new community developers to help finance new community development projects. The Secretary may make such guarantees and enter into such commitments, subject to the limitations contained in sections 404 and 405, upon such terms and conditions as he may prescribe, taking into account (1) the large initial capital investment required to finance sound new communities, (2) the extended period before initial returns on this type of investment can be expected, (3) the irregular pattern of cash returns characteristic of such investment, and (4) the financial and security interests of the United States in connection with guarantees made under this title.

ELIGIBLE NEW COMMUNITY DEVELOPMENT

SEC. 404. No guarantee or commitment to guarantee may be made under this title unless the Secretary has determined that—

(1) the proposed new community (A) will be economically feasible in terms of economic base or potential for growth, and (B) will contribute to the orderly growth and development of the area of which it is a part;

(2) there is a practicable plan (including appropriate time schedules) for financing the land acquisition and land development costs of the proposed new community and for improving and marketing the land which, giving due consideration to the public purposes of this title and the special problems involved in financing new communities, represents an acceptable financial risk to the United States;

(3) there is a sound internal development plan for the new community which (A) has received all governmental approvals required by State or local law or by the Secretary; and (B) is acceptable to the Secretary as provid-

ing reasonable assurance that the development will contribute to good living conditions in the area being developed, will be characterized by sound land use patterns, will include a proper balance of housing for familes of low and moderate income, and will include or be served by such shopping, school, recreational, tranportation, and other facilities as the Secretary deems satisfactory; and

(4) the internal development plan is consistent with a comprehensive plan which covers, or with comprehensive planning being carried on for, the area in which the land is situated, and which meets criteria established by the Secretary for such comprehensive plans or planning.

ELIGIBLE OBLIGATIONS

SEC. 405. (a) Any bond, debenture, note or other obligation guaranteed under this title shall—

(1) be issued by a new community developer, other than a public body, approved by the Secretary on the basis of financial, technical and administrative ability which demonstrates his capacity to carry out the proposed project;

(2) be issued to and held by investors approved by, or meeting requirements prescribed by, the Secretary, or if an offering to the public is contemplated, be underwritten upon terms and conditions approved by the Secretary;

(3) be issued to finance a program of land development (including acquisition or use of land) approved by the Secretary: *Provided*, That the Secretary shall through cost certification procedures, escrow or trusteeship requirements, or other means, insure that all proceeds from the sale of obligations guaranteed under this title are expended pursuant to such program;

(4) involve a principal obligation in an amount not to exceed the lesser of (A) 80 per centum of the Secretary's estimate of the value of the property upon completion of the land development or (B) the sum of 75 per centum of the Secretary's estimate of the value of the land before development and 90 per centum of his estimate of the actual cost of the land development;

(5) bear interest at a rate satisfactory to the Secretary, such interest to be exclusive of any service charges and fees that may be approved by the Secretary;

(6) contain repayment and maturity provisions satisfactory to the Secretary; and

(7) contain provisions which the Secretary shall prescribe with respect to the protection of the security interests of the United States (including subrogation provisions), liens and releases of liens, payment of taxes, and such other matters as the Secretary may, in his discretion, prescribe.

(b) The outstanding principal obligations guaranteed under this title with respect to a single new community development project shall at no time exceed $50,000,000.

FEES AND CHARGES

SEC. 406. The Secretary is authorized to establish and collect fees for guarantees made under this title and may make such charges as he considers reasonable for the analysis of development and financing plans and for appraisals and inspections related to new community development projects. On or before January 1, 1970, the Secretary shall make a report to the Congress concerning the fees and other charges under this title that he estimates will be adequate to provide income sufficient for a self-supporting program.

GUARANTEE FUND

SEC. 407. (a) To provide for the payment of any liabilities incurred as a result of guarantees made under this title, the Secretary is authorized to establish a revolving fund which shall be comprised of (1) receipts from fees and charges; (2) recoveries under security or subrogation rights or other rights, and any other receipts obtained in connection with such guarantees; and (3) such sums, which are hereby authorized to be appropriated, as may be required for program operations and nonadministrative expenses and to make any and all payments guaranteed under this title.

(b) The full faith and credit of the United States is pledged to the payment of all guarantees made under this title with respect to both principal and interest, including (1) interest, as may be provided for in the guarantee, accruing between the date of default under a guaranteed obligation and the payment in full of the guarantee, and (2) principal and interest due under any debentures issued by the Secretary toward payment of guarantees made under this title.

(c) Notwithstanding any other provision of law relating to the acquisition, handling, improvement, or disposal of real and other property by the United States, the Secretary shall have power, for the protection of the interests of the guarantee fund authorized under this section, to pay out of such fund all expenses or charges in connection with the acquisition, handling, improvement, or disposal of any property acquired by him under this title; and notwithstanding any other provision of law, the Secretary shall also have power to pursue to final collection by way of compromise or otherwise all claims acquired by him in connection with any security, subrogation, or other rights obtained by him in carrying out this title.

(d) The aggregate of the outstanding principal obligations guaranteed under this title shall at no time exceed $250,000,000.

INCONTESTABILITY

SEC. 408. Any guarantee made by the Secretary under this title shall be conclusive evidence of the eligibility of the obligations for such guarantee, and the validity of any guarantee so made shall be incontestable in the hands of a qualified holder of the guaranteed obligation except for fraud or material misrepresentation on the part of such holder.

ENCOURAGEMENT OF SMALL BUILDERS

SEC. 409. The Secretary shall adopt such requirements as he deems necessary to assure that new community construction assisted under this title will encourage the maintenance of a diversified local homebuilding industry and broad participation by builders, particularly small builders.

LABOR

SEC. 410. All laborers and mechanics employed by contractors or subcontractors in land development assisted under section 403 shall be paid wages at rates not less than those prevailing on similar construction in the locality as determined by the Secretary of Labor in accordance with the Davis-Bacon Act, as amended (40 U.S.C. 276a—276a–5). No assistance shall be extended under section 403 for land development without first obtaining adequate assurance that these labor s' ndards will be maintained upon the construction work involved in such development. The Secretary of Labor shall have, with respect to the labor standards specified in this section, the authority and functions set forth in Reorganization Plan Numbered 14 of 1950 (64 Stat. 1267), and section 2 of the Act of June 13, 1934 (40 U.S.C. 276c).

REAL PROPERTY TAXATION

SEC. 411. Nothing in this title shall be construed to exempt any real property that may be acquired and held by the Secretary as a result of the exercise of lien or subrogation rights from real property taxation to the same extent, according to its value, as other real property is taxed.

SUPPLEMENTARY GRANTS

SEC. 412. (a) The Secretary is authorized to make supplementary grants to State and local public bodies and agencies carrying out new community assistance projects, as defined in section 415(c), if the Secretary determines that such grants are necessary or desirable for carrying out a new community development project approved for assistance under section 403, and that a substantial number of housing units for low and moderate income persons is to be made available through such development project.

(b) In no case shall any grant under this section exceed 20 per centum of the cost of the new community assistance project for which the grant is made; and in no case shall the total Federal contributions to the cost of such project be more than 80 per centum.

(c) In carrying out his authority under this section the Secretary shall consult with the Secretary of Agriculture with respect to new community assistance projects assisted by that Department, and he shall, for the purpose of subsection (b), accept that Department's certifications as to the cost of such projects.

(d) There are authorized to be appropriated for grants under this section not to exceed $5,000,000 for the fiscal year ending June 30, 1969, and not to exceed $25,000,000 for the fiscal year ending June 30, 1970. Any amounts so appropriated shall remain available until expended, and any amounts authorized for any fiscal year under this subsection but not appropriated may be appropriated for any succeeding fiscal year commencing prior to July 1, 1970.

GENERAL PROVISIONS AND RULES AND REGULATIONS

SEC. 413. In the performance of, and with respect to, the functions, powers, and duties vested in him by this title, the Secretary shall (in addition to any authority otherwise vested in him) have the functions, powers, and duties (including the authority to issue rules and regulations) set forth in section 402, except subsections (c)(2), (d), and (f), of the Housing Act of 1950: *Provided*, That subsection (a)(1) of section 402 shall not apply with respect to functions, powers, and duties under section 412 of this title.

AUDIT BY GENERAL ACCOUNTING OFFICE

SEC. 414. Insofar as they relate to any grants or guarantees made pursuant to this title, the financial transactions of recipients of Federal grants or of developers whose obligations are guaranteed by the United States pursuant to this title may be audited by the General Accounting Office under such rules and regulations as may be prescribed by the Comptroller General of the United States. The representatives of the General Accounting Office shall have access to all books, account, records, reports, files, and all other papers, things, or property belonging to or in use by such developers or recipients of grants pertaining to such financial transactions and necessary to facilitate the audit.

DEFINITIONS

SEC. 415. As used in this title—

(a) The term "land development" means the process of grading land, making, installing, or constructing water lines and water supply installations, sewer lines and sewage disposal installations, steam, gas, and electric lines and installations, roads, streets, curbs, gutters, sidewalks, storm drainage facilities, and other installations or work, whether on or off the site, which the Secretary deems necessary or desirable to prepare land for residential, commercial, industrial, or other uses, or to provide facilities for public or common use. The term "land development" shall not include any building unless it is (1) a building which is needed in connection with a water supply or sewage disposal installation or a steam, gas, or electric line or installation, or (2) a building, other than a school, which is to be owned and maintained jointly by the residents of the new community or is to be transferred to public ownership, but not prior to its completion.

(b) The term "actual costs" means the costs (exclusive of rebates or discounts) incurred by a new community developer in carrying out the land development assisted under this title. These costs may include amounts paid for labor, materials, construction contracts, land planning, engineers' and architects' fees, surveys, taxes, and interest during development, organizational and legal expenses, such allocation of general overhead expenses as are acceptable to the Secretary, and other items of expense incidental to development which may be approved by the Secretary. If the Secretary determines that there is an identity of interest between the new community developer and a contractor, there may be included as a part of actual costs an allowance for the contractor's profit in an amount deemed reasonable by the Secretary.

(c) The term "new community assistance projects" means projects assisted by grants made under section 702 of the Housing and Urban Development Act of 1965, section 306(a)(2) of the Consolidated Farmers Home Administration Act, or title VII of the Housing Act of 1961.

CONFORMING AMENDMENTS

SEC. 416. (a) Section 202(b)(4) of the Housing Amendments of 1955 is amended by adding before the period at the end of the second sentence "or under title IV of the Housing and Urban Development Act of 1968".

(b) The first paragraph of section 24 of the Federal Reserve Act is amended by striking out all that follows "national banking association" in the fourth sentence and adding "may make loans or purchase obligations for land development which are secured by mortgages insured under title X of the National Housing Act or guaranteed under title IV of the Housing and Urban Development Act of 1968.".

(c) The paragraph which, prior to the amendments made by this Act, was the next to last paragraph of section 5(c) of the Home Owners' Loan Act of 1933 is amended by adding at the end thereof the following new sentence: "Without regard to any other provision of this subsection, an association may invest in loans or obligations, or interests therein, as to which the association has the benefit of any guaranty under title IV of the Housing and Urban Development Act of 1968, as now or hereafter in effect, or of a commitment or agreement therefor, and such investments shall not be included in any percentage of assets or other percentage referred to in this subsection."

TITLE V—URBAN RENEWAL

NEIGHBORHOOD DEVELOPMENT PROGRAMS

SEC. 501. (a) Title I of the Housing Act of 1949 is amended by adding after the title heading the following new subheading:

"PART A—URBAN RENEWAL PROJECTS, DEMOLITION PROGRAMS, AND CODE ENFORCEMENT PROGRAMS"

(b) Title I of such Act is further amended by adding at the end thereof the following new part:

"PART B—NEIGHBORHOOD DEVELOPMENT PROGRAMS

"PURPOSE AND AUTHORITY

"SEC. 131. (a) To facilitate more rapid renewal and development of urban areas on an effective scale, and to encourage more efficient and flexible utilization of public and private development opportunities by local communities in such areas, the Secretary is authorized to make financial assistance available under this title to local public agencies for undertakings and activities which are carried out under a neighborhood development program approved by him pursuant to this part.

"(b) A neighborhood development program shall consist of urban renewal project undertakings and activities in one or more urban renewal areas which are planned and carried out on the basis of annual increments in accordance with the provisions of this title for planning and carrying out urban renewal projects, except as modified by the provisions of this part.

"(c) No application for financial assistance in planning and carrying out a neighborhood development program shall be approved by the Secretary unless—

"(1) the governing body of the locality has, by resolution or ordinance, approved the proposed program and the annual increment covered by the application and authorized the filing of the application for financial assistance; and

"(2) the Secretary has concluded that there is the necessary capacity to carry out the undertakings and activities included under the program.

"FINANCIAL PROVISIONS

"SEC. 132. (a) Upon the approval of a neighborhood development program by the Secretary, the cost of any undertakings and activities authorized as part of the program shall be financed in accordance with the loan, capital grant, and project cost provisions of part A, except that—

"(1) net project cost may be calculated on the basis of costs incurred and proceeds derived for the account of the program during a specified twelve-month period, and may be recalculated for succeeding periods of twelve months to reflect additional costs and additional proceeds since the date of the last computation or recomputation; and

"(2) if property has been acquired but not disposed of prior to the computation or recomputation of net project cost, temporary loans made or secured under this title to finance undertakings or activities included in the program may remain outstanding until the property has been disposed of and the proceeds thereof, together with additional funds becoming available to the program, are sufficient to permit repayment of the loans.

"(b) In the event that gross project cost as computed for a specified twelve-month period is exceeded, with respect to that period, by the sum of (1) the sales price of land or other property sold, and (2) the imputed capital value of land or other property leased or retained by the local public agency in accordance with the provisions of the urban renewal plan, the local public agency shall pay to the Secretary two-thirds of the excess (or three-fourths in the case of a program on a three-fourths grant basis), which amount shall be available to the Secretary for grant payments under section 103.

"LOCAL GRANTS-IN-AID

"SEC. 133. (a) For the purpose of determining the eligibility of local grants-in-aid in connection with undertakings and activities carried out under a neighborhood development program, the three-year period referred to in the second paragraph of section 110(d) shall be deemed to be a period of three years prior to the authorization by the Secretary of the first contract for financial assistance under the program which includes the urban renewal area which is benefited by the public improvement or facility for which credit is claimed; and the seven-year period referred to in clause (1) of section 112(b) shall be deemed to be a period of seven years prior to the date of authorization by the Secretary of the first contract for financial assistance under the program which includes the urban renewal area which is benefited by the expenditures for which credit is claimed.

"(b) No portion of the cost of a public improvement or public facility (to the extent otherwise eligible) may be included as a local grant-in-aid in computing the gross project cost of an approved program for any twelve-month period—

"(1) prior to commencement of construction of the improvement or facility, or

"(2) in excess of the amount actually expended or obligated by contract.

"(c) The provisions of section 104 with respect to the pooling of local grants-in-aid among the various projects undertaken by a local public agency shall not be applicable with respect to any excess local grants-in-aid resulting from the urban renewal projects contained in a neighborhood development program.

"GENERAL PROVISIONS

"SEC. 134. (a) For purpose of this part—

"(1) the workable program requirement in section 101(c) shall apply to the authorization, rather than the execution, of any contract for loans or capital grants;

"(2) capital grants on a three-fourths basis may only be made under section 103(a)(2)(B);

"(3) the relocation requirements specified in section 105(c) shall apply to each annual increment of an approved program;

"(4) section 106(g) (relating to transient housing) shall apply to activities undertaken under approved programs, except that the determination as to need for transient housing shall be made with respect to any sale or lease of land for construction of such housing prior to such sale or lease; and

"(5) the requirement concerning demolition and removal of buildings and improvements stated in clause (A) of the sentence following paragraph (10) of section 110(c) shall apply to each annual increment of an approved program.

"(b) The approval by the Secretary of financial assistance for one or more annual increments of a neighborhood development program shall not be considered as obligating him to provide financial assistance for any subsequent annual increments.

"(c) The urban renewal plan referred to in section 110(b) may cover one or more of the urban renewal areas covered by a neighborhood development program and such plan may be modified from time to time to cover additional urban renewal areas added to the program. The Secretary may establish such requirements as he deems appropriate prescribing the scope and content of such plan, taking into consideration, among other matters, the degree of detail needed in the plan to properly and expeditiously carry out the activities and undertakings proposed in any annual increment of a neighborhood development program."

(c) Notwithstanding any requirement or condition to the contrary in section 6 or 20(i) of the District of Columbia Redevelopment Act of 1945 or in any other provision of law, the District of Columbia Redevelopment Land Agency may plan and undertake neighborhood development programs under part B of title I of the Housing Act of 1949 (as added by this section), subject to all of the provisions of such Act of 1945 to the extent not inconsistent with such part B, and any such program shall be regarded as complying with the requirements of such sections 6 and 20(i) and of such other provision of law if it meets the applicable requirements established under such part B.

INCREASED AUTHORIZATION

SEC. 502. (a) Section 103(b) of the Housing Act of 1949 is amended by striking out everything in the first sentence after "exceed" and inserting in lieu thereof "$7,600,000,000, which amount shall be increased by $1,400,000,000 on July 1, 1969".

(b) Section 103(b) of such Act is further amended by striking out "$250,000,000" in the second sentence and inserting in lieu thereof "$600,000,000".

REHABILITATION GRANTS

SEC. 503. (a) The second sentence of section 115(a) of the Housing Act of 1949 is amended by striking out the words "a structure" and "such structure" and inserting in

lieu thereof "real property" and "such real property", respectively.

(b) Section 115(b) of such Act is amended by striking out "$1,500" and inserting in lieu thereof "$3,000".

(c) Section 115(b) of such Act is amended by inserting "(1)" after "(a)", and by adding at the end thereof a new paragraph as follows:

"(2) In addition to the authority conferred by paragraph (1), and notwithstanding any other provision of this title, the Secretary is authorized, through the utilization of local public agencies where feasible, to make grants (payable from any grant funds provided under section 103(b)) to an individual or family, as described in subsection (b), to cover the cost of repairs and improvements necessary to make real property owned and occupied by such individual or family conform to public standards for decent, safe, and sanitary housing. No grants shall be made under this paragraph in the case of any property, unless (A) such property is in an area within a locality (other than an urban renewal or code enforcement area) which the governing body of the locality has determined, and so certifies to the Secretary, contains a substantial number of structures in need of such repairs and improvements, (B) there is in effect for the locality a workable program meeting the requirements of section 101(c), and (C) the area is definitely planned for rehabilitation or concentrated code enforcement within a reasonable time, and such repairs and improvements to such property are consistent with the plan for rehabilitation or concentrated code enforcement."

(d) Section 115 of such Act is further amended—

(1) by redesignating subsection (b) as subsection (c) and inserting after subsection (a) a new subsection (b) as follows:

"(b) The Secretary is authorized to make grants (payable from any grant funds provided under section 103(b)), through the utilization of local public and private agencies where feasible, to an individual or family, as described in subsection (c), who owns and occupies real property which has been determined to be uninsurable because of physical hazards after an inspection pursuant to a statewide property insurance plan approved by the Secretary under title XII of the National Housing Act. Such grants may only be made to rehabilitate such property to the extent which the Secretary determines to be necessary to make it meet reasonable underwriting standards imposed by such plan."; and

(2) by striking out "subsection (b)" in subsection (a) and inserting in lieu thereof "subsection (c)".

REHABILITATION IN URBAN RENEWAL AREAS

SEC. 504. Section 110(c)(8) of the Housing Act of 1949 is amended by striking out (1) "guidance purposes, and", and (2) the proviso at the end thereof.

DISPOSITION OF PROPERTY FOR LOW AND MODERATE INCOME HOUSING

SEC. 505. Section 107(a) of the Housing Act of 1949 is amended—

(1) by inserting after "public body or agency," the following: "or other approved purchaser or lessee,";

(2) by inserting ", section 221(h)(1), section 235(j)(1), or section 236" after "or (d)(4)";

(3) by inserting "or lessee" after "a purchaser" and after "such purchaser", and "or lease" after "purchase";

(4) by striking out "rental or cooperative";

(5) by striking out "moderate" and inserting in lieu thereof "low or moderate"; and

(6) by inserting before the period at the end thereof the following: "; *Provided*, That when property is made available under clause (1) to an approved purchaser or lessee other than a limited dividend corporation, nonprofit corporation or association, cooperative, or public body or agency, the Secretary shall assure that the benefits of this subsection will go to the occupant of the property rather than to such purchaser or lessee".

GRANTS FOR LOW AND MODERATE INCOME HOUSING IN OPEN LAND PROJECTS

SEC. 506. Section 103(a)(1) of the Housing Act of 1949 is amended by inserting before the period at the end thereof the following: ", except that he may contract for a grant in an amount not to exceed two-thirds of the difference between the proceeds from any land disposed of pursuant to section 107 and the fair value of the land without regard to such section".

URBAN RENEWAL LOAN CONTRACTS

SEC. 507. (a) Section 102(c) of the Housing Act of 1949 is amended—

(1) by striking out "at interest rates lower than provided in the loan contract" in the first sentence; and

(2) by inserting before the period at the end of the first sentence the following: ": Provided, That, if at any time during the undertaking of the project, the interest rate on such a loan from a source other than the Federal Government is greater than the rate at which funds could be made available under the Federal loan contract, the Secretary may make a supplemental grant to the local public agency in the amount of the difference between the interest cost from such sources and the interest cost at the contract rate, and no part of the amount of any such grant shall be required to be contributed as a part of the local grant-in-aid".

(b) Loan contracts outstanding on the date of enactment of this section may be amended to incorporate the provisions authorized by the amendment contained in subsection (a) without regard to the proviso in section 110(g) of the Housing Act of 1949.

PROJECT COMPLETION PRIOR TO DISPOSITION OF CERTAIN PROPERTY

SEC. 508. (a) Section 106 of the Housing Act of 1949 is amended by adding at the end thereof the following new subsection:

"(i) Upon a determination by the Secretary that (1) not more than 5 per centum of the total area of land acquired as part of an urban renewal project remains to be disposed of, (2) the local public agency does not expect to be able, due to circumstances beyond its control, to dispose of such land in the near future, (3) all other project activities are completed, and (4) the local public agency has agreed to dispose of or retain such land for uses in accordance with the urban renewal plan, the urban renewal project may be deemed completed, and the net project cost may be computed and the capital grant paid."

(b) Section 110(f) of such Act is amended by inserting before the period at the end thereof the following: "or for subsequent disposition or retention as provided under section 106(i)".

REHABILITATION LOANS

SEC. 509. (a) The first sentence of section 312(d) of the Housing Act of 1964 is amended to read as follows: "There is authorized to be appropriated not to exceed $150,000,000 for each fiscal year which shall constitute a revolving fund to be used by the Secretary in carrying out this section."

(b) Section 312(h) of such Act is amended by striking out "October 1, 1969" and inserting in lieu thereof "June 30, 1973".

(c) Section 312(a) of such Act is amended to read as follows:

"(a) The Secretary is authorized, through the utilization of local public and private agencies where feasible, to make loans as herein provided to the owners and tenants of property to finance the rehabilitation of such property. No loan shall be made under this section unless—

"(1)(A) the property is situated in an urban renewal area or an area in which a program of concentrated code enforcement activity is being carried out pursuant to section 117 of the Housing Act of 1949, and the rehabilitation is required to make the property conform to applicable code requirements or to carry out the objectives of the urban renewal plan for the area and, in addition, to generally improve the condition of the property; or

"(B) (i) the property is in an area (other than an area described in subparagraph (A)) which the governing body of the locality has determined, and so certifies to the Secretary, contains a substantial number of structures in need of rehabilitation, (ii) there is in effect for the locality a workable program meeting the requirements of section 101(c) of the Housing Act of 1949, (iii) the property is residential and owner-occupied, (iv) the property is in need of rehabilitation and is in violation of the local minimum housing or similar code, and (v) the area is definitely planned for rehabilitation or concentrated code enforcement within a reasonable time, and the rehabilitation of such property is consistent with the plan for rehabilitation or code enforcement;

"(2) the applicant is unable to secure the necessary funds from other sources upon comparable terms and conditions; and

"(3) the loan is an acceptable risk taking into consideration the need for the rehabilitation, the security available for the loan, and the ability of the applicant to repay the loan."

(d) Section 312 of such Act is further amended—

(1) by inserting "or" after the semicolon at the end of paragraph (1)(B) in subsection (a) (as amended by subsection (c) of this section), and by inserting after such paragraph (1)(B) the following new subparagraph:

"(C)(i) the property has been determined to be uninsurable because of physical hazards after an inspection pursuant to a statewide property insurance plan approved by the Secretary under title XII of the National Housing Act, and (ii) the loan is made to the owner or tenant of the property to finance rehabilitation which the Secretary determines to be necessary to make the property meet reasonable underwriting standards;"; and

(2) by striking out "or" after "applicable codes" in subsection (b)(1) and inserting in lieu thereof a comma, and by inserting after "urban renewal plan" in such subsection ", or a statewide property insurance plan".

(e) Section 312(a) of such Act (as amended by the preceding provisions of this section) is amended by adding at the end thereof the following new sentence: "Notwithstanding the preceding provisions of this subsection, no loan with respect to residential property shall be made under this section to any person whose annual income, as determined pursuant to criteria and procedures established by the Secretary, exceeds the limits prescribed by the Secretary for occupants of projects financed with below-market interest rate mortgages insured (in the area involved) under section 221(d)(3) of the National Housing Act: *Provided*, That the provisions of this sentence shall not apply to property in the area of an urban renewal project or a code enforcement project for which the city or other local public body or agency is receiving financial assistance under title I of the Housing Act of 1949 if, prior to the date of enactment of the Housing and Urban Development Act of 1968, such local public body or agency specifically developed plans for such project in reliance upon the availability of loans under this section."

DEMOLITION GRANTS

SEC. 510. (a) The first sentence of section 116(a) of the Housing Act of 1949 is amended by inserting after "unsound" the following: ", a harborage or potential harborage of rats,".

(b) Section 116(b) of such Act is amended by inserting after the comma at the end of clause (2) the following: "or will be consistent with a systematic rodent control program being undertaken in the neighborhood,".

AIR RIGHTS SITES IN URBAN RENEWAL AREAS

SEC. 511. (a) Section 110(c)(1)(iv) of the Housing Act of 1949 is amended by striking out "for use for industrial developing" and inserting in lieu thereof "for use for the development of industrial or educational facilities".

(b) Section 110(c)(7) of such Act is amended by striking out "for industrial development" and inserting in lieu thereof "for the development of industrial or educational facilities".

LOW AND MODERATE INCOME HOUSING IN RESIDENTIAL URBAN RENEWAL AREAS

SEC. 512. Section 105(f) of the Housing Act of 1949 is amended to read as follows:

"(f) A majority of the housing units provided in each community's total of such approved urban renewal projects as will be redeveloped for predominantly residential uses and which receive Federal recognition after the date of enactment of the Housing and Urban Development Act of 1968 shall be standard housing units for low and moderate income families or individuals: *Provided,* That the units in each community's total of such approved urban renewal projects which are for low-income families or individuals shall constitute at least 20 per centum of the units in such projects, except that the Secretary may waive the requirement of this proviso in any community to the extent that units for low-income families and individuals are not needed. The Secretary shall promptly report any waiver under the proviso in the preceding sentence to the Committees on Banking and Currency of the Senate and the House of Representatives."

WORKABLE PROGRAM REQUIREMENT IN CASE OF INDIAN TRIBES

SEC. 513. Section 101(c) of the Housing Act of 1949 is amended by inserting after "1964" in the second proviso the following: "or, in the case of an Indian tribe, band, or nation, commencing January 1, 1970".

INTERIM ASSISTANCE FOR BLIGHTED AREAS

SEC. 514. Title I of the Housing Act of 1949 is amended by adding after section 117 a new section as follows:

"INTERIM ASSISTANCE FOR BLIGHTED AREAS

"SEC. 118. Notwithstanding any other provision of this title, the Secretary is authorized to enter into contracts (in an aggregate amount not to exceed $15,000,000 in any fiscal year) to make, and to make, grants as provided in this section (payable from any grant funds provided under section 103(b)) to cities, other municipalities, and counties for the purpose of assisting such localities in carrying our programs to alleviate harmful conditions in slum and blighted areas which are planned for substantial clearance, rehabilitation, or federally assisted code enforcement in the near future but in which some immediate public action is needed until clearance, rehabilitation, or code enforcement activities can be undertaken. Such grants shall not exceed two-thirds (or three-fourths in the case of any city, other municipality, or county having a population of fifty thousand or less according to the most recent decennial census) of the cost of planning and carrying out programs which may include (1) the repair of streets, sidewalks, parks, playgrounds, publicly owned utilities, and public buildings to meet needs consistent with the short-term continued use of the area prior to the undertaking of the contemplated clearance or upgrading activities, (2) the improvement of private properties to the extent needed to eliminate the most immediate dangers to public health and safety, (3) the demolition of structures determined to be structurally unsound or unfit for human habitation and which constitute a public nuisance and serious hazard to the public health and safety. (4) the establishment of temporary public playgrounds on vacant land within the area, and (5) the improvement of garbage and trash collection, street cleaning, and similar activities. The Secretary shall encourage, wherever feasible, the employment of otherwise unemployed or underemployed residents, of the area in carrying out the activities and undertakings assisted under this section. The provisions of sections 101(c), 106, and 114 shall be applicable to activities and undertakings assisted under this section to the same extent as if such activities and undertakings were being carried out in an urban renewal area as part of an urban renewal project."

UTILIZATION OF LOCAL PRIVATE NONPROFIT AGENCIES FOR REHABILITATION GRANTS IN CODE ENFORCEMENT AREAS

SEC. 515. Section 117 of the Housing Act of 1949 is amended by inserting the following before the period at the end thereof: ": Provided, That the Secretary may, in addition to authorizing a local public agency to make grants as prescribed in section 115, make such grants through the utilization of local private nonprofit agencies".

RELOCATION PAYMENTS

SEC. 516. Section 114(c) of the Housing Act of 1949 is amended—

(1) by striking out the first sentence of paragraph (2) and inserting in lieu thereof the following: "In addition to any amount under paragraph (1), a local public agency may pay to or on behalf of any displaced family, displaced individual sixty-two years of age or over, or displaced handicapped individual, monthly payments over a period not to exceed twenty-four months in an amount not to exceed $500 in the first twelve months and $500 in the second twelve months to assist such displaced family or individual to secure a decent, safe, and sanitary dwelling,";

(2) by striking out "relocation adjustment" in the second sentence of paragraph (2) and inserting in lieu thereof "additional";

(3) by striking out the second proviso in paragraph (2) and inserting in lieu thereof the following: ": *Provided further,* That additional payments under this paragraph may be paid on a lump sum or other than monthly basis in cases in which the small size of the payments that would otherwise be required do not warrant a number of separate payments or in other cases in which other than monthly payments are determined warranted by the Secretary: *And provided further,* That no payment received under this paragraph shall be considered as income for the purpose of determining the eligibility or the extent of eligibility of any person for assistance under the Social Security Act or any other Federal Act"; and

(4) by inserting a new paragraph (3) as follows:

"(3) In addition to any amount under paragraph (1), a local public agency may make a payment to a displaced family or individual, who does not receive the additional payment authorized under paragraph (2) and who is the owner of real property which is acquired for a project assisted under this title and which is improved by a single- or two-family dwelling occupied by the owner for a period of not less than one year prior to the initiation of negotiations for the acquisition of such property. Such payment, not to exceed $5,000, shall be an amount which, when added to the acquisition payment, equals the average price required for a decent, safe, and sanitary dwelling of modest standards adequate in size to accommodate the displaced owner, reasonably accessible to public services and places of employment and available on the private market: *Provided,* That such payment may be made only to a displaced owner who purchases and occupies a dwelling within one year subsequent to the date on which he is required to move from the dwelling acquired for the project: *Provided further,* That no such payment may be made if the owner-occupant receives a payment required by the State law of eminent domain which is determined by the Secretary to have substantially the same purpose and effect as this paragraph and to be part of the cost of the project for which Federal financial assistance is available."

TITLE VI—URBAN PLANNING AND FACILITIES

COMPREHENSIVE PLANNING

SEC. 601. Section 701 of the Housing Act of 1954 is amended to read as follows:

"COMPREHENSIVE PLANNING

"SEC. 701. (a) In order to assist State and local governments in solving planning problems, including those resulting from the increasing concentration of population in metropolitan and other urban areas and the out-migration from and lack of coordinated development of resources and services in rural areas; to facilitate comprehensive planning for urban and rural development, including coordinated transportation systems, on a continuing basis by such governments; and to encourage such governments to establish and improve planning staffs and techniques on an areawide basis, and to engage private consultants where their professional services are deemed appropriate by the assisted governments, the Secretary is authorized to make planning grants to—

"(1) State planning agencies for the provision of planning assistance to (A) cities and other municipalities having a population of less than 50,000 according to the latest decennial census, and counties without regard to population: *Provided,* That grants shall be made under this paragraph for planning assistance to counties having a population of 50,000 or more, according to the latest decennial census, which are within metropolitan areas, only if (i) the Secretary finds that planning and plans for such county will be coordinated with the program of comprehensive planning, if any, which is being carried out for the metropolitan area of which the county is a part, and (ii) the aggregate amount of the grants made subject to this proviso does not exceed 15 per centum of the aggregate amount appropriated, after September 2, 1964, for the purposes of this section, (B) any group of adjacent communities, either incorporated or unincorporated, having a total population of less than 50,000 according to the latest decennial census and having common or related urban planning problems, (C) cities, other municipalities, and counties referred to in paragraph (3) of this subsection, and areas referred to in paragraph (4) of this subsection, and (D) Indian reservations;

"(2) State, metropolitan, and regional planning agencies for metropolitan or regional planning, and to cities, within metropolitan areas, for planning which is part of comprehensive metropolitan planning and which shall supplement and be coordinated with State, metropolitan, and regional planning;

"(3) (A) economic development districts designated by the Secretary of Commerce under title IV of the Public Works and Economic Development Act of 1965, and

"(B) cities, other municipalities, and counties which (i) are situated in redevelopment areas or economic development dis-

tricts designated by the Secretary of Commerce under title IV of the Public Works and Economic Development Act of 1965, or (ii) have suffered substantial damage as a result of catastrophe which the President, pursuant to section 2(a) of the Act entitled 'An Act to authorize Federal assistance to States and local governments in major disasters, and for other purposes', approved September 30, 1950, as amended (42 U.S.C. 1855a), has determined to be a major disaster;

"(4) official governmental planning agencies for areas where rapid urbanization has resulted or is expected to result from the establishment or rapid and substantial expansion of a Federal installation, or for areas where rapid urbanization is expected to result on land developed or to be developed as a new community approved under section 1004 of the National Housing Act or title IV of the Housing and Urban Development Act of 1968;

"(5) States for State and interstate comprehensive planning and for research and coordination activity related thereo, including technical and other assistance for the establishment and operation of intrastate and interstate planning agencies;

"(6) State planning agencies for assistance to district planning, or planning for areas within districts, carried on by or for district planning agencies;

"(7) metropolitan and regional planning agencies, with the approval of the State planning agency or (in States where no such planning agency exists) of the Governor of the State, for the provision of planning assistance within the metropolitan area or region to cities, other municipalities, counties, groups of adjacent communities, or Indian reservations described in clauses (A), (B), (C), and (D) of paragraph (1) of this subsection;

"(8) official governmental planning agencies for any area where there has occurred a substantial reduction in employment opportunities as the result of (A) the closing (in whole or in part) of a Federal installation, or (B) a decline in the volume of Government orders for the procurement of articles or materials produced or manufactured in such area;

"(9) tribal planning councils or other tribal bodies designated by the Secretary of the Interior for planning for an Indian reservation;

"(10) the various regional commissions established by the Appalachian Regional Development Act of 1965 or under the Public Works and Economic Development Act of 1965 for comprehensive planning for the regions established under such Acts (or State agencies or instrumentalities participating in such planning); and

"(11) local development districts, certified under section 301 of the Appalachian Regional Development Act of 1965, for comprehensive planning for their entire areas, or for metropolitan planning, urban planning, county planning, or small municipality planning within such areas in the Appalachian region, and for planning for Appalachian regional programs.

Planning assisted under this section shall, to the maximum extent feasible, cover entire areas having common or related development problems. The Secretary shall encourage cooperation in preparing and carrying out plans among all interested municipalities, political subdivisions, public agencies, and other parties in order to achieve coordinated development of entire areas. To the maximum extent feasible, pertinent plans and studies already made for areas shall be utilized so as to avoid unnecessary repetition of effort and expense. Planning which may be assisted under this section includes the preparation of comprehensive transportation surveys, studies, and plans to aid in solving problems of traffic congestion, facilitating the circulation of people and goods in metropolitan and other areas and reducing transportation needs. Planning carried out with assistance under this section shall also include a housing element as part of the preparation of comprehensive land use plans, and this consideration of the housing needs and land use requirements for housing in each comprehensive plan shall take into account all available evidence of the assumptions and statistical basis upon which the projection of zoning, community facilities, and population growth is based, so that the housing needs of both the region and the local communities studied in the planning will be adequately covered in terms of existing and prospective inmigrant population growth. Funds available under this section shall be addition to and may be used jointly with funds available for planning surveys and investigations under other federally aided programs, and nothing contained in this section shall be construed as affecting the authority of the Secretary of Transportation under section 307 of title 23, United States Code.

"(b) A planning grant made under subsection (a) shall not exceed two-thirds of the estimated cost of the work for which the grant is made: *Provided,* That such a grant may be made for up to 75 per centum of such estimated cost when made for planning primarily for (1) redevelopment areas, local development districts, or economic development districts, or portions thereof, described in paragraph (3) (A) and (11) of subsection (a), (2) areas described in subsection (a)(8), and (B)(i) and paragraph (3) the various regions, as described in subsection (a)(10). All grants made under this section shall be subject to terms and conditions prescribed by the Secretary. No portion of any grant made under this section shall be used for the preparation of plans for specific public works. The Secretary is authorized, notwithstanding the provisions of section 3648 of the Revised Statutes, as amended, to make advance or progress payments on account of any grant made under this section. There are authorized to be appropriated for the purposes of this section not to exceed $265,000,000 prior to July 1, 1969, and not to exceed $390,000,000 prior to July 1, 1970. Of the amount available prior to July 1, 1969, $20,000,000 may be used only for district planning grants under subsection (a)(6), which amount shall be increased by $10,000,000 on July 1, 1969. Any amounts appropriated under this section shall remain available until expended: *Provided,* That, of any funds appropriated under this section, not to exceed an aggregate of $10,000,000 plus 5 per centum of the funds so appropriated may be used by the Secretary for studies, research, and demonstration projects, undertaken independently or by contract, for the development and improvement of techniques and methods for comprehensive planning and for the advancement of the purposes of this section, and for grants to assist in the conduct of studies and research relating to needed revisions in State statutes which create, govern, or control local governments and local governmental operations.

"(c) The Secretary is authorized, in areas embracing several municipalities or other political subdivisions, to encourage planning on a unified regional, district, or metropolitan basis and to provide technical assistance for such planning and the solution of problems relating thereto.

"(d) It is the further intent of this section to encourage comprehensive planning, including transportation planning, for States, cities, counties, metropolitan areas, districts, regions, and Indian reservations and the establishment and development of the organizational units needed therefor. In extending financial assistance under this section, the Secretary may require such assurances as he deems adequate that the appropriate State and local agencies are making reasonable progress in the development of the elements of comprehensive planning. The Secretary is authorized to provide technical assistance to State and local governments and their agencies and instrumentalities, and to Indian tribal bodies, undertaking such planning and, by contract or otherwise, to make studies and publish information on related problems.

"(e) In the exercise of his responsibilities under this section, the Secretary shall consult with those officials of the Federal Government responsible for the administration of programs of Federal assistance to the States and municipalities for various categories of public facilities and other comprehensively planned activities. He shall, particularly, consult with the Secretary of Agriculture prior to his approval of any district planning grants under subsections (a)(6) and (g), and with the Secretary of Commerce prior to his approval of any planning grants which include any part of an economic development, district as defined and designated under the Public Works and Economic Development Act of 1965. The Secretary of Agriculture and the Secretary of Commerce, as appropriate, may provide technical assistance, with or without reimbursement, in connection with the establishment of districts by the Secretary of Housing and Urban Development and the carrying out of planning by such districts.

"(f) The consent of the Congress is hereby given to any two or more States to enter into agreements or compacts, not in conflict with any law of the United States, for cooperative efforts and mutual assistance in the comprehensive planning for the growth and development of interstate, metropolitan, or other urban areas, and to establish such agencies, joint or otherwise, as they may deem desirable for making effective such agreements and compacts.

"(g) In addition to the planning grants authorized by subsection (a), the Secretary is further authorized to make grants to organizations composed of public officials representative of the political jurisdictions within the metropolitan area, region, or district for the purpose of assisting such organizations to undertake studies, collect data, develop metropolitan, regional, and district plans and programs, and engage in such other activities, including implementation of such plans, as the Secretary finds necessary or desirable for the solution of the metropolitan, regional, or district problems in such areas, regions, or districts. To the maximum extent feasible, all grants under this subsection shall be for activities relating to all the developmental aspects of the total metropolitan area, region, or district including, but not limited to, land use, transportation, housing, economic development, natural resources development, community facilities, and the general improvement of living environments. A grant under this subsection shall not exceed two-thirds of the estimated cost of the work for which the grant is made.

"(h) In addition to the other grants authorized by this section, the Secretary is authorized to make grants to assist any city, other municipality, or county in making a survey of the structures and sites in such locality which are determined by its appropriate authorities to be of historic or architectural value. Any such survey shall be designed to identify the historic structures and sites in the locality, determine the cost of their rehabilitation or restoration, and provide such other information as may be necessary or appropriate to serve as a foundation for a balanced and effective program of historic preservation in such locality. The aspects of any such survey which relate to the identification of historic and architectural values shall be conducted in accordance with criteria found by the Secretary to be comparable to those used in establishing

the national register maintained by the Secretary of the Interior under other provisions of law; and the results of each such survey shall be made available to the Secretary of the Interior. A grant under this subsection shall not exceed two-thirds of the cost of the survey for which it is made, and shall be made to the appropriate agency or entity specified in paragraphs (1) through (11) of subsection (a) or, if there is no such agency or entity which is qualified and willing to receive the grant and provide for its utilization in accordance with this subsection, directly to the city, other municipality, or county involved.

"(i) As used in this section—

"(1) The term 'metropolitan area' means a standard metropolitan statistical area, as established by the Bureau of the Budget, subject, however, to such modifications or extensions as the Secretary deems to be appropriate for the purposes of this section.

"(2) The term 'region' includes (A) all or part of the area of jurisdiction of one or more units of general local government, and (B) one or more metropolitan areas.

"(3) The term 'district' includes all or part of the area of jurisdiction of (A) one or more counties, and (B) one or more other units of general local government, but does not include any portion of a metropolitan area.

"(4) The term 'comprehensive planning' includes the following:

"(A) preparation, as a guide for governmental policies and action, of general plans with respect to (i) the pattern and intensity of land use, (ii) the provision of public facilities (including transportation facilities) and other government services, and (iii) the effective development and utilization of human and natural resources;

"(B, long-range physical and fiscal plans for such action;

"(C) programing of capital improvements and other major expenditures, based on a determination of relative urgency, together with definitive financing plans for such expenditures in the earlier years of the program;

"(D) coordination of all related plans and activities of the State and local governments and agencies concerned; and

"(E) preparation of regulatory and administrative measures in support of the foregoing.

Comprehensive planning for the purpose of districts shall not include planning for or assistance to establishments in relocating from one area to another or assist subcontractors whose purpose is to divest, or whose economic success is dependent upon divesting, other contractors or subcontractors of contracts theretofore customarily performed by them: *Provided,* That this limitation shall not be construed to prohibit assistance for the expansion of an existing business entity through the establishment of a new branch, affiliate, or subsidiary of such entity, if the Secretary finds that the establishment of such branch, affiliate, or subsidiary will not result in an increase in unemployment in the area of original location or in any other area where such entity conducts business operations, unless the Secretary has reason to believe that such branch, affiliate, or subsidiary is being established with the intention of closing down the operations of the existing business entity in the area of its original location or in any other area where it conducts such operations.

"(5) The term 'State planning agencies' includes official State planning agencies and (in States where no such planning agency exists) agencies or instrumentalities of State government designated by the Governor of the State and acceptable to the Secretary.

"(6) The terms 'metropolitan planning agencies', 'regional planning agencies', and 'district planning agencies' mean official metropolitan, regional, and district planning agencies, or other agencies and instrumentalities designated by the Governor (or Governors in the case of interstate planning), and acceptable to the Secretary, empowered under State or local law or interstate compact to perform metropolitan, regional, or district planning, respectively: *Provided,* That such agencies and instrumentalities shall, to the greatest practicable extent, be composed of or responsible to the elected officials of the unit or units of general local government for whose jurisdictions they are empowered to engage in planning."

PLANNED AREAWIDE DEVELOPMENT

SEC. 602. (a) The heading of title II of the Demonstration Cities and Metropolitan Development Act of 1966 is amended to read as follows: "TITLE II—PLANNED AREAWIDE DEVELOPMENT".

(b) Section 201 of such Act is amended to read as follows:

"FINDINGS AND DECLARATION OF PURPOSE

"SEC. 201. (a) The Congress hereby finds that the welfare of the Nation and of its people is directly dependent upon the sound and orderly development and the effective organization and functioning of our State and local governments.

"It further finds that it is essential that our State and local governments prepare, keep current, and carry out comprehensive plans and programs for their orderly physical development with a view to meeting efficiently all their economic and social needs.

"It further finds that our State and local governments are especially handicapped in this task by the complexity and scope of governmental services required, the multiplicity of political jurisdictions and agencies involved, and the inadequacy of the operational and administrative arrangements available for cooperation among them.

"It further finds that present requirements for areawide planning and programing in connection with various Federal programs have materially assisted in the solution of areawide problems, but that greater coordination of Federal programs and additional participation and cooperation are needed from the States and localities in perfecting and carrying out such efforts.

"(b) It is the purpose of this title to provide through greater coordination of Federal programs, and through supplementary grants for certain federally assisted development projects, additional encouraegment and assistance to States and localities for making comprehensive areawide planning and programing effective."

(c) Section 202 of such Act is amended by striking out "metropolitan" each place it appears and inserting in lieu thereof "areawide".

(d) (1) Section 205 of such Act is amended by striking out "metropolitan development" each place it appears and inserting in lieu thereof "areawide development".

(2) Such section is further amended by striking out "metropolitan areas" and "metropolitan area" and inserting in lieu thereof "areas" and "area", respectively.

(3) Such section is further amended by striking out "metropolitanwide" each place it appears, and inserting in lieu thereof "areawide".

(4) Such section is further amended by striking out "metropolitan planning" each place it appears and inserting in lieu thereof "areawide planning".

(5) Such section is further amended by inserting "where appropriate," after "(B)" in subsection (c)(1).

(6) Such section is further amended by striking out "within the metropolitanwide area" in subsection (f).

(e) (1) Paragraphs (1) and (2) of section 208 of such Act are amended by striking out "Metropolitan" and inserting in lieu thereof "Areawide".

(2) Paragraph (7) of such section is amended—

(A) by striking out "or metropolitan or regional" and inserting in lieu thereof ", metropolitan, regional, or district"; and

(B) by striking out "metropolitan" in the parenthetical phrase. (f) Section 206(b) of such Act is amended by striking out the second sentence and inserting in lieu thereof the following: "Any amounts appropriated under this section shall remain available until expended, and any amounts authorized for any fiscal year under this section but not appropriated may be appropriated for any succeeding fiscal year commencing prior to July 1, 1970."

ADVANCE ACQUISITION OF LAND

SEC. 603. (a) Section 701 of the Housing and Urban Development Act of 1965 is amended by striking out "in connection with the future construction of public works and facilities" in clause (3) and inserting in lieu thereof "in the future for public purposes".

(b) Section 704 of such Act is amended to read as follows:

"ADVANCE ACQUISITION OF LAND

"SEC. 704. (a) In order to encourage and assist the timely acquisition of land planned to be utilized in the future for public purposes, the Secretary is authorized to make grants to States and local public bodies and agencies to assist in financing the acquisition of a fee simple estate or other interest in such land.

"(b) The amount of any grant made under this section shall not exceed the aggregate amount of reasonable interest charges on the loans or other financial obligations incurred to finance the acquisition of such land for a period not in excess of the lesser of (1) five years from the date of acquisition of such land or (2) the period of time between the date on which the land was acquired and the date its use began for the purpose for which it was acquired: *Provided,* That where all or any portion of the cost of such land is not financed through borrowings, the amount of the grant shall be computed on the basis of the aggregate amount of reasonable interest charges that the Secretary determines would have been required.

"(c) No grant shall be made under this section unless the Secretary determines that the land will be utilized for a public purpose within a reasonable period of time and that such utilization will contribute to economy, efficiency, and the comprehensively planned development of the area. The Secretary shall in all cases require that land acquired with the assistance of a grant under this section be utilized for a public purpose within five years after the date on which a contract to make such grant is entered into, unless the Secretary (1) determines that due to unusual circumstances a longer period of time is necessary and in the public interest, and (2) reports such determination promptly to the Committees on Banking and Currency of the Senate and House of Representatives.

"(d) No land acquired with assistance under this section shall, without approval of the Secretary, be diverted from the purpose originally approved. The Secretary shall approve no such diversion unless he finds that the diversion is in accord with the then applicable comprehensive plan for the area. In cases of a diversion of land to other than a public purpose, the Secretary may require repayment of the grant, or substitution of land of approximately equal fair market value, whichever he deems appropriate. An interim use of the land for a public or private purpose in accordance with standards prescribed by the Secretary, or approved by him, shall not constitute a diversion within the meaning of this subsection.

"(e) Notwithstanding any other provision of law, no project for which land is acquired

with assistance under this section shall, solely as a result of such advance acquisition, be considered ineligible for the purpose of any other Federal loan or grant program, and the amount of the purchase price paid for the land by the recipient of a grant under this section may be considered an eligible cost for the purpose of such other Federal loan or grant program."

WATER AND SEWER FACILITIES PROGRAM

SEC. 604. (a) Section 702(c) of the Housing and Urban Development Act of 1965 is amended by striking out "July 1, 1968" and inserting in lieu thereof "October 1, 1969".

(b) Section 702(b) of such Act is amended—

(1) by striking out "a basic public sewer facility" and inserting in lieu thereof "a basic public water or sewer facility"; and

(2) by striking out "a public or other adequate sewer facility" and inserting in lieu thereof "a public or other adequate water or sewer facility".

(c) Section 702 of such Act is amended by adding at the end thereof a new subsection as follows:

"(d) In the administration of this section the Secretary shall require that, to the greatest extent practicable, new job opportunities be provided for unemployed or underemployed persons in connection with projects the financing of which is assisted under this section."

AUTHORIZATIONS FOR THE WATER AND SEWER FACILITIES, NEIGHBORHOOD FACILITIES, AND ADVANCE ACQUISITION OF LAND PROGRAMS

SEC. 605. (a) Section 708(b) of the Housing and Urban Development Act of 1965 is amended by striking out "July 1, 1969" and inserting in lieu thereof "July 1, 1970".

(b) Section 708(a) of such Act is amended—

(1) by striking out "$200,000,000 for grants under section 702" and inserting in lieu thereof "$200,000,000 (or $350,000,000 in the case of the fiscal year commencing July 1, 1968) for grants under section 702"; and

(2) by adding at the end thereof the following new sentence: "In addition, there is authorized to be appropriated for grants under section 702 not to exceed $115,000,000 for the fiscal year commencing July 1, 1969."

OPEN-SPACE LAND PROGRAM

SEC. 606. (a) Section 702(b) of the Housing Act of 1961 is amended to read as follows:

"(b) There are authorized to be appropriated, for the purpose of making grants under this title, not to exceed $310,000,000 prior to July 1, 1969, and not to exceed $460,000,000 prior to July 1, 1970. Any amounts appropriated under this section shall remain available until expended."

(b) Section 708(b) of such Act is amended by striking out "$50,000" and inserting in lieu thereof "$125,000".

AUTHORIZATION TO MAKE FEASIBILITY STUDIES IN THE PUBLIC WORKS PLANNING ADVANCES PROGRAM

SEC. 607. Section 702(a) of the Housing Act of 1954 is amended by inserting after "to aid in financing the cost of" the following: "feasibility studies,".

TITLE VII—URBAN MASS TRANSPORTATION

GRANT AUTHORIZATIONS

SEC. 701. (a) Section 4(b) of the Urban Mass Transportation Act of 1964 is amended (1) by striking out the word "and" where it first appears in the first sentence, and (2) by inserting before the period at the end of first sentence "; and $190,000,000 for fiscal year 1970".

(b) Section 6(c) of such Act is amended (1) by striking out "$50,000,000" and inserting in lieu thereof "$56,000,000", and (2) by inserting at the end thereof the following: "On or after July 1, 1969, the Secretary may make available to finance projects under this section such additional sums out of the grant authorization provided in section 4(b) as he deems appropriate."

DEFINITION OF MASS TRANSPORTATION

SEC. 702. Section 12(c)(5) of the Urban Mass Transportation Act of 1964 is amended to read as follows:

"(5) the term 'mass transportation' means transportation by bus, rail, or other conveyance, either publicly or privately owned, which provides to the public general or special service (but not including school buses or charter or sightseeing service) on a regular and continuing basis."

EXTENSION OF EMERGENCY PROGRAM UNDER THE URBAN MASS TRANSPORTATION ACT

SEC. 703. Section 5 of the Urban Mass Transportation Act of 1964 is amended by striking out "November 1, 1968" and inserting in lieu thereof "July 1, 1970".

NON-FEDERAL SHARE OF NET PROJECT COST

SEC. 704. (a) Section 4(a) of the Urban Mass Transportation Act of 1964 is amended by striking out the last sentence and inserting in lieu thereof of following: "The remainder of the net project cost shall be provided, in cash, from sources other than Federal funds. Not more than 50 per centum of such remainder may be provided from other than public sources, and any public or private transit system funds shall be provided solely from undistributed cash surpluses, replacement or depreciation funds or reserves available in cash, or new capital; except that in cases of demonstrated fiscal inability of an applicant actively engaged in preparing and effectuating a program for a unified or officially coordinated urban transportation system as part of the comprehensively planned development of the urban area, such remainder may be provided from other than public sources. No refund or reduction of the remainder of the net project cost shall be made at any time unless there is at the same time a refund of a proportional amount of the Federal grant."

(b) Section 5 of such Act is amended by striking out the last sentence and inserting in lieu thereof the following: "The remainder of the net project cost shall be provided, in cash, from sources other than Federal funds. Not more than 50 per centum of such remainder may be provided from other than public sources, and any public or private transit system funds shall be provided solely from undistributed cash surpluses, replacement or depreciation funds or reserves available in cash, or new capital; except that in cases of demonstrated fiscal inability of an applicant actively engaged in preparing and effectuating a program for a unified or officially coordinated urban transportation system as part of the comprehensively planned development of the urban area, such remainder may be provided from other than public sources. No refund or reduction of the remainder of the net project cost shall be made at any time unless there is at the same time a refund of a proportional amount of the Federal grant."

TITLE VIII—SECONDARY MORTGAGE MARKET

PURPOSES

SEC. 801. The purposes of this title include the partition of the Federal National Mortgage Association as heretofore existing into two separate and distinct corporations, each of which shall have continuity and corporate succession as a separated portion of the previously existing corporation. One of such corporations, to be known as Federal National Mortgage Association, will be a Government-sponsored private corporation, will retain the assets and liabilities of the previously existing corporation accounted for under section 304 of the Federal National Mortgage Association Charter Act, and will continue to operate the secondary market operations authorized by such section 304. The other, to be known as Government National Mortgage Association, will remain in the Government, will retain the assets and liabilities of the previously existing corporation accounted for under sections 305 and 306 of such Act, and will continue to operate the special assistance functions and management and liquidating functions authorized by such sections 305 and 306.

AMENDMENTS TO THE FEDERAL NATIONAL MORTGAGE ASSOCIATION CHARTER ACT

SEC. 802. (a) The heading of title III of the National Housing Act is amended by striking out "FEDERAL NATIONAL MORTGAGE ASSOCIATION" and inserting in lieu thereof "NATIONAL MORTGAGE ASSOCIATIONS".

(b) Section 301 of such Act is amended—

(1) by striking out "in the Federal Government a";

(2) by striking out "facility for" and inserting in lieu thereof "facilities for";

(3) by striking out "of such facility" and inserting in lieu thereof "thereof";

(4) by striking out "facility to" and inserting in lieu thereof "facilities to"; and

(5) by striking out "the existing mortgage portfolio of the Federal National Mortgage Association" and inserting in lieu thereof "federally owned mortgage portfolios".

(c) Section 302(a) of such Act is amended—

(1) by inserting "(1)" immediately following "(a)";

(2) by striking out "(hereinafter referred to as the 'Association')"; and

(3) by adding at the end thereof the following new paragraph:

"(2) On the effective date established pursuant to section 808 of the Housing and Urban Development Act of 1968, the body corporate described in the foregoing paragraph shall cease to exist in that form and is hereby partitioned into two separate and distinct bodies corporate, each of which shall have continuity and corporate succession as a separated portion of the previously existing body corporate, as follows:

"(A) One of such separated portions shall be a body corporate without capital stock to be known as Government National Mortgage Association (hereinafter referred to as the 'Association'), which shall be in the Department of Housing and Urban Development and which shall retain the assets and liabilities acquired and incurred under sections 305 and 306 prior to such effective date, including any and all liabilities incurred pursuant to section 302(c). The Association shall have succession until dissolved by Act of Congress. It shall maintain its principal office in the District of Columbia and shall be deemed, for purposes of venue in civil actions, to be a resident thereof. Agencies or offices may be established by the Association in such other place or places as it may deem necessary or appropriate in the conduct of its business.

"(B) The other such separated portion shall be a body corporate to be known as Federal National Mortgage Association (hereinafter referred to as the 'corporation'), which shall retain the assets and liabilities acquired and incurred under sections 303 and 304 prior to such effective date. The corporation shall have succession until dissolved by Act of Congress. It shall maintain its principal office in the District of Columbia and shall be deemed, for purposes of venue in civil actions, to be a resident thereof."

(d) Section 302(b) of such Act is amended—

(1) by striking out "the Association is authorized" and inserting in lieu thereof "each of the bodies corporate named in subsection (a)(2) is authorized";

(2) by striking out "lend (under section 304) on the security of,";

(3) by inserting immediately before the colon in the first sentence "; and the corporation is authorized to lend on the security of any such mortgages and to purchase, sell,

or otherwise deal in any securities guaranteed by the Association under section 306(g)"; and

(4) by striking out "no mortgage may be purchased" and inserting in lieu thereof "the Association may not purchase any mortgage".

(e) Section 302(c)(1) of such Act is amended by striking out ", consistent with section 307,".

(f) Section 302(c)(2)(C) of such Act is amended to read as follows:

"(C) The Department of Housing and Urban Development."

(g) Section 302(c)(2) of such Act is amended by striking out "incurred by the Federal National Mortgage" and inserting in lieu thereof "incurred by the".

(h) The heading of section 303 of such Act is amended to read as follows: "CAPITALIZATION—FEDERAL NATIONAL MORTGAGE ASSOCIATION".

(i) Section 303(a) of such Act is amended—

(1) by striking out "nonvoting common stock" and inserting in lieu thereof "common stock, without par value, which shall be vested with all voting rights, each share being entitled to one vote with rights of cumulative voting at all elections of directors";

(2) by striking out "nonvoting preferred stock" and inserting in lieu thereof "nonvoting preferred stock, with a par value of $100 per share,";

(3) by striking out the second and third sentences thereof and inserting in lieu thereof "The free transferability of the common stock at all times to any person, firm, corporation, or other entity shall not be restricted except that, as to the corporation, it shall be transferable only on the books of the corporation.";

(4) by striking out "of the capital surplus and the general surplus accounts";

(5) by striking out "retire" and inserting in lieu thereof "retire, at par,"; and

(6) by striking out "the Association shall deem feasible" and inserting in lieu thereof "possible subsequent to the effective date established pursuant to section 808 of the Housing and Urban Development Act of 1968".

(j) Section 303(b) of such Act is amended—

(1) by striking out "for its services" and inserting in lieu thereof ", which may be regarded as elements of pricing,"; and

(2) by striking out the last sentence.

(k) Section 303(c) of such Act is amended—

(1) by striking out "(only in denominations of $100 or multiples thereof)";

(2) by inserting immediately after the first sentence the following: "In addition to the shares of common stock issued under the foregoing sentence, the corporation may issue additional shares in return for appropriate payments into capital or capital and surplus. The corporation shall at all times require each servicer of its mortgages to own a minimum amount of common stock of the corporation, measured by its stated value. Such minimum amount shall not exceed 2 per centum, as determined from time to time by the corporation with the approval of the Secretary of Housing and Urban Development, of the aggregate outstanding principal balances of all mortgages of the corporation which have been purchased subsequent to the effective date established pursuant to section 808 of the Housing and Urban Development Act of 1968 and which are then serviced by such servicer for the corporation."; and

(3) by striking out "the general surplus account of the Association shall not be reduced through the payment of dividends applicable to such common stock which exceed in the aggregate 5 per centum of the par value of the outstanding common stock of the Association" and inserting in lieu thereof "the aggregate amount of cash dividends paid on account of any share of such stock shall not exceed any rate which may be determined from time to time by the Secretary of Housing and Urban Development to be a fair rate of return after consideration of the current earnings and capital condition of the corporation".

(l) Section 303(d) of such Act is amended by striking out "$225,000,000" and inserting in lieu thereof "$225,000,000; but no such stock may be issued subsequent to the effective date established pursuant to section 808 of the Housing and Urban Development Act of 1968".

(m) Section 303(f) of such Act is amended by striking out "contributions, and" and inserting in lieu thereof "contributions, to purchase additional shares of such stock, and".

(n) Section 303(g) of such Act is repealed.

(o) The heading of section 304 of such Act is amended to read as follows: "SECONDARY MARKET OPERATIONS—FEDERAL NATIONAL MORTGAGE ASSOCIATION".

(p) Section 304(a)(1) of such Act is amended by striking out "and the Association shall not purchase any mortgage insured or guaranteed prior to the effective date of the Housing Act of 1954".

(q) Section 304(b) of such Act is amended by striking out "earnings and in" and inserting in lieu thereof "earnings unless a greater ratio shall be fixed at any time or from time to time by the Secretary of Housing and Urban Development. In".

(r) Section 304(c) of such Act is amended by striking out "(1) all of the preferred stock of the Association held by the Secretary of the Treasury has been retired, or (2)".

(s) Sections 303 and 304 of such Act, as amended by the foregoing subsections of this section, are further amended—

(1) by striking out "Association" each place it appears and inserting in lieu thereof, in each such place, "corporation"; and

(2) by striking out "Association's" each place it appears and inserting in lieu thereof, in each such place, "corporation's".

(t) The heading of section 305 of such Act is amended to read as follows: "SPECIAL ASSISTANCE FUNCTIONS—GOVERNMENT NATIONAL MORTGAGE ASSOCIATION".

(u) The heading of section 306 of such Act is amended to read as follows: "MANAGEMENT AND LIQUIDATING FUNCTIONS—GOVERNMENT NATIONAL MORTGAGE ASSOCIATION".

(v) Subsection (a) and (b) of section 307 of such Act are repealed.

(w) Section 307 of such Act is further amended—

(1) by striking out "SEC. 307.";

(2) by striking out "(c) All of the benefits and burdens incident to the administration of" and inserting in lieu thereof the following:

"SEC. 307. All of the benefits and burdens incident to the administration of"; and

(3) by striking out "board of directors of the Association" and inserting in lieu thereof "Secretary of Housing and Urban Development".

(x) The heading of section 308 of such Act is amended to read as follows: "MANAGEMENT".

(y) Section 308 of such Act is amended—

(1) by inserting "(a)" immediately following "308";

(2) by striking out the first two sentences and inserting in lieu thereof "All the powers and duties of the Government National Mortgage Association shall be vested in the Secretary of Housing and Urban Development and the Association shall be administered under the direction of the Secretary.";

(3) by striking out "the board shall determine" and inserting in lieu thereof "the Secretary shall determine";

(4) by striking out "Association. The chairman of the board" and inserting in lieu thereof "Association, and shall have power to adopt, amend, and repeal bylaws governing the performance of the powers and duties granted to or imposed upon it by law. The Secretary";

(5) by striking out "by the board of directors," and inserting in lieu thereof "by the Secretary,";

(6) by striking out the last sentence; and

(7) by adding at the end thereof the following new subsection:

"(b) The Federal National Mortgage Association shall have a board of directors which shall consist of fifteen persons, one-third of whom shall be appointed annually by the President of the United States, and the remainder of whom shall be elected annually by the common stockholders. The board shall at all times have as members appointed by the President at least one person from the homebuilding industry, at least one person from the mortgage lending industry, and at least one person from the real estate industry. Each member of the board of directors shall be appointed or elected for a term ending on the date of the next annual meeting of the stockholders, except that any such member may be removed from office by the President for good cause. Any elective seat on the board which becomes vacant after the annual election of the directors shall be filled by the board, but only for the unexpired portion of the term. Any appointive seat which becomes vacant shall be filled by appointment of the President, but only for the unexpired portion of the term. Within the limitations of law and regulation, the board shall determine the general policies which shall govern the operations of the corporation, and shall have power to adopt, amend, and repeal bylaws governing the performance of the powers and duties granted to or imposed upon it by law. The board of directors shall select and effect the appointment of qualified persons to fill the offices of president and vice president, and such other offices as may be provided for in the bylaws. Any member of the board who is a full-time officer or employee of the Federal Government shall not, as such member, receive compensation for his services."

(z) Section 309(a) of such Act is amended—

(1) by striking out "The Association" and inserting in lieu thereof "Each of the bodies corporate named in section 302(a)(2)";

(2) by striking out "by its board of directors, to adopt, amend, and repeal bylaws governing the performance of the powers and duties granted to or imposed upon it by law;";

(3) by striking out "conduct its business" and inserting in lieu thereof "conduct its business without regard to any qualification or similar statute";

(4) by striking out "the Association may deem" and inserting in lieu thereof "it may deem"; and

(5) by striking out "the purposes of the Association" and inserting in lieu thereof "its purposes".

(aa) Section 309(c) of such Act is amended—

(1) by striking out "(1)";

(2) by striking out "The Association" and inserting in lieu thereof "(1) The Association";

(3) by striking out ", and (2) the Association shall, with respect to its secondary market operations under section 304 after the cutoff date referred to in section 303(d) of this title, pay annually to the Secretary of the Treasury, for covering into miscellaneous receipts, an amount equivalent to the amount of Federal income taxes for which it would be subject if it were not exempt from such taxes with respect to such secondary market operations"; and

(4) by adding at the end thereof the following new paragraph:

"(2) The corporation, including its fran-

chise, capital, reserves, surplus, mortgages or other security holdings, and income, shall be exempt from all taxation now or hereafter imposed by any State, territory, possession, Commonwealth, or dependency of the United States, or by the District of Columbia, or by any county, municipality, or local taxing authority, except that any real property of the corporation shall be subject to State, territorial, county, municipal, or local taxation to the same extent as other real property is taxed."

(bb) Section 309(d) of such Act is amended—

(1) by inserting "(1)" immediately following "(d)";

(2) by striking out "Chairman of the Board" and inserting in lieu thereof "Secretary of Housing and Urban Development";

(3) by striking out "agents," and inserting in lieu thereof "agents of the Association,"; and

(4) by adding at the end thereof the following new paragraph:

"(2) The board of directors of the corporation shall have the power to select and appoint or employ such officers, attorneys, employees, and agents, to vest them with such powers and duties, and to fix and to cause the corporation to pay such compensation to them for their services, as it may determine; and any such action shall be without regard to the Federal civil service and classification laws. Appointments, promotions, and separations so made shall be based on merit and efficiency, and no political tests or qualifications shall be permitted or given consideration. Each officer and employee of the corporation who is employed by the corporation prior to the termination of the transitional period referred to in section 810(b) of the Housing and Urban Development Act of 1968 and who on the day previous to the beginning of such employment will have been subject to the civil service retirement law (subch. III of ch. 83 of title 5, United States Code) shall, so long as his employment by the corporation continues without a break in continuity of service, continue to be subject to such law; and for the purpose of such law his employment by the corporation without a break in continuity of service shall be deemed to be employment by the Government of the United States. The corporation shall contribute to the Civil Service Retirement and Disability Fund a sum as provided by section 8334(a) of title 5, United States Code, except that such sum shall be determined by applying to the total basic pay (as defined in 5 U.S.C. 8331(3) and except as hereinafter provided) paid to the employees of the corporation who are covered by the civil service retirement law, the per centum rate determined annually by the United States Civil Service Commission to be the excess of the total normal cost per centum rate of the civil service retirement system over the employee deduction rate specified in section 8334(a) of title 5, United States Code. The corporation shall also pay into the Civil Service Retirement and Disability Fund such portion of the cost of administration of the fund as is determined by the United States Civil Service Commission to be attributable to its employees. Notwithstanding the foregoing provisions, there shall not be considered for the purposes of the civil service retirement law that portion of the basic pay in any one year of any officer or employee of the corporation which exceeds the basic pay provided for in section 5312 of title 5, United States Code, on the last day of such year. Except as provided in this subsection, the corporation shall not be subject to the provisions of title 5, United States Code."

(cc) Section 309(e) of such Act is amended—

(1) by striking out "body corporate created by section 302" and inserting in lieu thereof "bodies corporate named in section 302(a)(2)";

(2) by inserting ", 'Government National Mortgage Association'," immediately following "'Federal National Mortgage Association'"; and

(3) by striking out the second sentence and inserting in lieu thereof the following: "Violations of the foregoing sentence may be enjoined by any court of general jurisdiction at the suit of the proper body corporate. In any such suit, the plaintiff may recover any actual damages flowing from such violation, and, in addition, shall be entitled to punitive damages (regardless of the existence or nonexistence of actual damages) of not exceeding $100 for each day during which such violation is committed or repeated."

(dd) Section 309(g) of such Act is amended to read as follows:

"(g) The Federal Reserve banks are authorized and directed to act as depositaries, custodians, and fiscal agents for each of the bodies corporate named in section 302(a)(2), for its own account or as fiduciary, and such banks shall be reimbursed for such services in such manner as may be agreed upon; and each of such bodies corporate may itself act in such capacities, for its own account or as fiduciary, and for the account of others."

(ee) Section 309 of such Act is amended by adding at the end thereof the following new subsection:

"(h) The Secretary of Housing and Urban Development shall have general regulatory power over the Federal National Mortgage Association and shall make such rules and regulations as shall be necessary and proper to insure that the purposes of this title are accomplished. No stock, obligation, security, or other instrument shall be issued by the corporation without the prior approval of the Secretary. The Secretary may require that a reasonable portion of the corporation's mortgage purchases be related to the national goal of providing adequate housing for low and moderate income families, but with reasonable economic return to the corporation. The Secretary may examine and audit the books and financial transactions of the corporation, and he may require the corporation to make such reports on its activities as he deems advisable."

(ff) Section 311 of such Act is amended—

(1) by striking out "the Association" and inserting in lieu thereof "either of the bodies corporate named in section 302(a)(2)"; and

(2) by adding at the end thereof the following: "All stock, obligations, securities, participations, or other instruments issued pursuant to this title shall, to the same extent as securities which are direct obligations of or obligations guaranteed as to principal or interest by the United States, be deemed to be exempt securities within the meaning of laws administered by the Securities and Exchange Commission; but all such issuances shall be made only with the approval of the Secretary of Housing and Urban Development."

PARTICIPATIONS

SEC. 803. Section 302(c)(5) of the National Housing Act is amended by inserting at the end thereof the following: "In the event that the insufficiency required by the trustee is on account of principal maturities of outstanding beneficial interests or participations authorized to be issued pursuant to paragraph (4) of this subsection, or pursuant hereto, the trustee is authorized to elect to issue additional beneficial interests or participations for refinancing purposes in lieu of requiring any trustor or trustors to make payments to the trustee from appropriated funds or other sources. Each such issue of beneficial interests or participations shall be in an amount determined by the trustee but not in excess of the aggregate amount which the trustee would otherwise require the trustor or trustors to pay from appropriated funds or other sources, and may be issued without regard to the provisions of paragraph (4) of this subsection. All refinancing issues of beneficial interests or participations shall be deemed to have been issued pursuant to the authority contained in the appropriation Act or Acts under which the beneficial interests or participations were originally issued."

MORTGAGE-BACKED SECURITIES

SEC. 804. (a) Section 304 of the National Housing Act is amended by adding at the end thereof the following new subsection:

"(d) To provide a greater degree of liquidity to the mortgage investment market and an additional means of financing its operations under this section, the corporation is authorized to set aside any mortgages held by it under this section, and, upon approval of the Secretary of the Treasury, to issue and sell securities based upon the mortgages so set aside. Securities issued under this subsection may be in the form of debt obligations or trust certificates of beneficial interest, or both. Securities issued under this subsection shall have such maturities and bear such rate or rates of interest as may be determined by the corporation with the approval of the Secretary of the Treasury. Securities issued by the corporation under this subsection shall, to the same extent as securities which are direct obligations of or obligations guaranteed as to principal and interest by the United States, be deemed to be exempt securities within the meaning of laws administered by the Securities and Exchange Commission. Mortgages set aside pursuant to this subsection shall at all times be adequate to enable the corporation to make timely principal and interest payments on the securities issued and sold pursuant to this subsection."

(b) Section 306 of such Act is amended by adding at the end thereof the following new subsection:

"(g) The Association is authorized, upon such terms and conditions as it may deem appropriate, to guarantee the timely payment of principal of and interest on such trust certificates or other securities as shall (1) be issued by the corporation under section 304(d), or by any other issuer approved for the purposes of this subsection by the Association, and (2) be based on and backed by a trust or pool composed of mortgages which are insured under the National Housing Act or title V of the Housing Act of 1949, or which are insured or guaranteed under the Servicemen's Readjustment Act of 1944 or chapter 37 of title 38, United States Code. The Association shall collect from the issuer a reasonable fee for any guaranty under this subsection and shall make such charges as it may determine to be reasonable for the analysis of any trust or other security arrangement proposed by the issuer. In the event the issuer is unable to make any payment of principal of or interest on any security guaranteed under this subsection, the Association shall make such payment as and when due in cash, and thereupon shall be subrogated fully to the rights satisfied by such payment. Any Federal, State, or other law to the contrary notwithstanding, the Association is hereby empowered, in connection with any guaranty under this subsection, whether before or after any default, to provide by contract with the issuer for the extinguishment, upon default by the issuer, of any redemption, equitable, legal, or other right, title, or interest of the issuer in any mortgage or mortgages constituting the trust or pool against which the guaranteed securities are issued; and with respect to any issue of guaranteed securities, in the event of default and pursuant otherwise to the terms of the contract, the mortgages that constitute such trust or pool shall become the absolute property of the Association subject only to the unsatisfied rights of the holders of the securities based on and backed by such trust or pool. The full faith and credit of the United States is pledged to the payment of all amounts which may be required to be paid under any guaranty un-

der this subsection. There shall be excluded from the total amounts set forth in subsection (c) the amounts of any mortgages acquired by the Association as a result of its operations under this subsection."

(c) Section 5136 of the Revised Statutes (12 U.S.C. 24) is amended by adding at the end thereof the following:

"Ninth. To issue and sell securities which are guaranteed pursuant to section 306(g) of the National Housing Act."

(d) The first proviso of section 21(a)(1) of the Banking Act of 1933 (12 U.S.C. 378(a)(1)) is amended by inserting ", or issuing securities," immediately following "investment securities".

(e) Section 5(c) of the Home Owners' Loan Act of 1933 (12 U.S.C. 1464(c)) is amended by adding at the end thereof a new paragraph as follows:

"Any such association may issue and sell securities which are guaranteed pursuant to section 306(g) of the National Housing Act."

SUBORDINATED AND CONVERTIBLE OBLIGATIONS

SEC. 805. Section 304 of the National Housing Act is amended by adding thereto (after subsection (d) as added by section 804 of this Act) the following new subsection:

"(e) For the purposes of this section, the corporation is authorized to issue, upon the approval of the Secretary of the Treasury, obligations which are subordinated to any or all other obligations of the corporation, including subsequent obligations. The obligations issued under this subsection shall have such maturities and bear such rate or rates of interest as may be determined by the corporation with the approval of the Secretary of the Treasury and may be made redeemable at the option of the corporation before maturity in such manner as may be stipulated in such obligations. Any of such obligations may be made convertible into shares of common stock in such manner, at such price or prices, and at such time or times as may be stipulated therein. The total principal amount of such subordinated obligations which may be outstanding at any one time shall not exceed two times the sum of (1) the capital of the corporation represented by its outstanding common stock and (2) its surplus and undistributed earnings of such time. The outstanding total principal amount of such obligations, which are entirely subordinated to the obligations of the corporation issued or to be issued under subsection (b), shall be deemed to be capital of the corporation for the purpose of determining the aggregate amount of obligations issued under subsection (b) which may be outstanding at any one time. Obligations issued by the corporation under this subsection shall, to the same extent as securities which are direct obligations of or obligations guaranteed as to principal or interest by the United States, be deemed to be exempt securities within the meaning of laws administered by the Securities and Exchange Commission. The corporation shall insert appropriate language in all of its obligations issued under this subsection clearly indicating that such obligations, together with the interest thereon, are not guaranteed by the United States and do not constitute a debt or obligation of the United States or of any agency or instrumentality thereof other than the corporation. The corporation is authorized to purchase in the open market any of its obligations outstanding under this subsection at any time and at any price."

SPECIAL ASSISTANCE AUTHORIZATION

SEC. 806. Section 305(c) of the National Housing Act is amended—

(1) by striking out "and" after "July 1, 1967,"; and

(2) by striking out the period and inserting in lieu thereof ", and by $50,000,000 on July 1, 1969."

AMENDMENTS TO OTHER LAWS

SEC. 807. (a) Section 306(b) of the Housing Act of 1959 is amended by striking out "Federal National Mortgage Association pursuant" and inserting in lieu thereof "Government National Mortgage Association pursuant".

(b) Section 312(d) of the Housing Act of 1964 is amended by striking out "Federal" and inserting in lieu thereof "Government".

(c) Section 5(b) of the Department of Housing and Urban Development Act is amended—

(1) by striking out "The Federal" and inserting in lieu thereof "The Government"; and

(2) by striking out ", and the position of the President of said Association is hereby allocated among the positions referred to in section 7(c) hereof".

(d) Section 7(b) of the Department of Housing and Urban Development Act is repealed.

(e) Section 101 of the Government Corporation Control Act is amended by striking out "Federal National Mortgage Association" and inserting in lieu thereof "Government National Mortgage Association".

(f) Section 13(4)(F) of the Public Buildings Act of 1959 is amended by striking out "Federal" and inserting in lieu thereof "Government".

(g) Section 6(b) of the Participation Sales Act of 1966 is amended by striking out "secondary market operations carried on by the Federal" and inserting in lieu thereof "the Government".

(h) Section 1820(e) of title 38, United States Code, is amended by striking out "Federal National" in three places and inserting in lieu thereof, in each such place, "Government National".

(i) Section 709 of title 18, United States Code, is amended by striking out "Federal National Mortgage Association" each place it appears and inserting in lieu thereof, in each such place, "Government National Mortgage Association".

(j) Section 5136 of the Revised Statutes is amended by inserting "or the Government National Mortgage Association" immediately following "Federal National Mortgage Association".

(k) Section 11(h) of the Federal Home Loan Bank Act is amended by inserting "or the Government National Mortgage Association, in the stock of the Federal National Mortgage Association" immediately following "Federal National Mortgage Association".

(l) Section 16 of the Federal Home Loan Bank Act is amended by inserting "or the Government National Mortgage Association" immediately following "Federal National Mortgage Association".

(m) Section 5(c) of the Home Owners' Loan Act of 1933 is amended by inserting "or the Government National Mortgage Association," immediately following "Federal National Mortgage Association" and by inserting "or the stock of the Federal National Mortgage Association" immediately after "any other agency of the United States".

(n) Section 8(8)(E) of the Federal Credit Union Act is amended by inserting "or the Government National Mortgage Association" immediately following "Federal National Mortgage Association".

EFFECTIVE DATE

SEC. 808. The amendments made by this title shall be effective from and after a date, no more than one hundred and twenty days following the date of enactment of this Act, as established by the Secretary of Housing and Urban Development. Notice of the establishment of such effective date shall be published in the Federal Register at least thirty days prior thereto.

SAVINGS PROVISIONS

SEC. 809. (a) No cause of action by or against the Federal National Mortgage Association existing prior to the effective date established pursuant to section 808 shall abate by reason of the enactment of this title. Any such cause of action may thereafter be asserted by or against the appropriate corporate body named in section 302(a)(2) of the National Housing Act.

(b) No suit, action or other proceeding commenced by or against the Federal National Mortgage Association, or any officer thereof in his official capacity, prior to the effective date established pursuant to section 808 shall abate by reason of the enactment of this title. A court may at any time thereafter during the pendency of any such litigation, on its own motion or that of any party, order that the litigation may be maintained by or against the appropriate corporate body named in section 302(a)(2) of the National Housing Act or the appropriate corresponding officer thereof.

TRANSITIONAL PROVISIONS

SEC. 810. (a) On the effective date established pursuant to section 808 of this Act, each share of outstanding nonvoting common stock, with a par value of $100 per share, of the Federal National Mortgage Association shall be changed into and shall become one share of voting common stock, without par value, of such corporation.

(b)(1) The provisions of section 308(b) of the National Housing Act (as added by section 802(y)(7) of this Act) shall be applicable only to the extent that its provisions do not conflict with this subsection.

(2) For a transitional period after the effective date established pursuant to section 808 of this Act, the board of directors of the Federal National Mortgage Association shall consist of nine persons. For a term expiring on the date of the first annual meeting of the corporation's stockholders, all members of the board shall be appointed by the Secretary of Housing and Urban Development. For a term beginning on such date, seven members of the board shall be appointed by the Secretary, and two members shall be elected by the common stockholders. For subsequent terms beginning prior to the termination of the transitional period, five members shall be appointed by the Secretary, and four members shall be elected by the common stockholders. For each term beginning prior to the termination of the transitional period, the Secretary shall appoint as a member of the board the president of the corporation. During the transitional period, the president of the corporation shall be appointed by the President, by and with the advice and consent of the Senate, and may be removed from office by the President for good cause.

(3) The transitional period referred to in paragraph (2) shall come to an end at such time as the board of directors shall find, with the approval of the Secretary, that not less than one-third of the corporation's common stock is owned by persons or institutions in the mortgage lending, homebuilding, real estate, or related businesses; but in no event shall it end sooner than May 1, 1970, or later than May 1, 1973.

(c) From the effective date established pursuant to section 808 and until the retirement of the last of the outstanding shares of its preferred stock, the Federal National Mortgage Association shall be deemed to be a wholly owned corporation for the purposes of the Government Corporation Control Act. Notwithstanding the foregoing provisions of this paragraph, the financial transactions of the Federal National Mortgage Association shall continue to be subject to audit by the General Accounting Office for such period as there may be outstanding obligations of the

Federal National Mortgage Association which are guaranteed as to principal or interest by the Government National Mortgage Association.

(d) Those persons who are the officers and employees of the Federal National Mortgage Association immediately prior to the effective date established pursuant to section 808 shall become the officers and employees of the Government National Mortgage Association on such date. The Federal National Mortgage Association and the Government National Mortgage Association shall provide by contract for the conditions and methods under which and by which the Federal National Mortgage Association during the transitional period may employ those individuals who are employees of the Government National Mortgage Association on such effective date; and may provide by contract for the operation by either of such corporations of any of the functions of the other. The Secretary of Housing and Urban Development shall make every reasonable effort to place in other comparable Federal positions any individuals who are career or career-conditional employees of the Government National Mortgage Association on such effective date and who are subsequently during the transitional period neither employed by the Federal National Mortgage Association nor retained by the Government National Mortgage Association.

TITLE IX—NATIONAL HOUSING PARTNERSHIPS

STATEMENT OF PURPOSE

SEC. 901. The Congress finds that the volume of housing being produced for families and individuals of low or moderate income must be increased to meet the national goal of a decent home and a suitable living environment for every American family, and declares that it is the policy of the United States to encourage the widest possible participation by private enterprise in the provision of housing for low or moderate income families. The Congress has therefore determined that one or more private organization should be created to encourage maximum participation by private investors in programs and projects to provide low and moderate income housing.

CREATION OF CORPORATIONS

SEC. 902. (a) There is hereby authorized to be created a private corporation for profit (hereinafter in this title referred to as the "corporation"). The corporation will not be an agency or establishment of the United States Government. The corporation shall be subject to the provisions of this title and, to the extent consistent with this title, to the District of Columba Business Corporation Act (D.C. Code, sec. 29–901 et seq.).

(b) Whenever the President finds it in the national interest to do so, he may cause the creation of an additional corporation or additional corporations to carry out the purposes of this title. All the provisions of this title shall thereupon become applicable to each such corporation, and to the limited partnership formed by it pursuant to section 907.

(c) Nothing in this title shall be construed to preclude private persons from creating other corporations and organizing other partnerships, joint ventures, or associations for the purposes set forth in this title as the purposes of the corporation and the partnership described in section 907.

PROCESS OF ORGANIZATION

SEC. 903. (a) The President of the United States shall appoint, by and with the advice and consent of the Senate, incorporators of the corporation, one of whom shall be designated by the President to serve as chairman. The incorporators shall serve as the initial board of directors until the first annual meeting of stockholders or until their successors are elected and have qualified.

(b) The incorporators shall take whatever actions are necessary or appropriate to establish the corporation, including the filing of articles of incorporation as approved by the President.

(c) The incorporators shall also arrange for an initial offering of shares of stock in the corporation and of interests in the partnership described in section 907 of this title. If the incorporation does it advisable in order to carry out the purposes of this title, the initial offering may be made upon terms which require the purchase of other securities of the corporation or of interests in such partnership.

DIRECTORS

SEC. 904. The corporation shall have a board of directors (hereinafter in this section referred to as the "board"), consisting of fifteen members. Three members of the board shall be appointed by the President of the United States, by and with the advice and consent of the Senate, effective on the date on which the other members are elected, and for terms of three years or until their successors have been appointed and have qualified, except that the first three members of the board so appointed shall continue in office for terms of one, two, and three years, respectively, and any member so appointed to fill a vacancy shall be appointed only for the unexpired term of the director whom he succeeds. Twelve members of the board shall be elected by the stockholders.

FINANCING THE CORPORATION

SEC. 905. The corporation shall have the power to create and issue the number of shares stated in its articles of incorporation. Such shares may be divided into one or more classes, any or all of which classes may consist of shares with par value, or shares without par value, with such designations, preferences, voting powers, and special or relative rights and such limitations, restrictions, or qualifications thereof as shall be stated in the articles of incorporation. The articles of incorporation may limit or deny the voting power of the shares of any class.

PURPOSES AND POWERS OF THE CORPORATION

SEC. 906. (a) In order to achieve the objectives and carry out the purposes of this title, the corporation is authorized to—

(1) plan, initiate, and carry out, pursuant to Federal programs or otherwise, the building or rehabilitation of housing and related facilities primarily for the benefit of families and individuals of low or moderate income;

(2) buy, own, manage, lease, or otherwise acquire or dispose of property in connection with the developments, projects, or undertakings referred to in paragraph (1); and

(3) provide such funds as may be necessary to accomplish the developments, projects, or undertakings referred to in paragraph (1).

(b) Included in the activities authorized to the corporation for the accomplishment of the purposes indicated in subsection (a) of this section are, among other not specifically named—

(1) to enter into partnerships, limited partnerships, joint ventures, and other associations with individuals, corporations, and private and governmental agencies, organizations, and institutions;

(2) to act as manager or general partner of any such partnership, venture, or association;

(3) to conduct or contract for research and studies related to the development, demonstration, and evaluation of improved techniques and methods of constructing, rehabilitating, and maintaining housing;

(4) to provide technical assistance to nonprofit corporations, limited dividend corporations, and others with respect to the planning, financing, construction, rehabilitation, maintenance, and management of housing for low and moderate income families and individuals;

(5) to make loans or grants including grants of interests in housing and related facilities, to nonprofit corporations, limited dividend corporations, and others, in carrying out its activities under subsection (a) of this section; and

(6) to hire or accept the voluntary services of consultants, experts, advisory boards, and panels to aid the corporation in carrying out the purposes of this title.

(c) To carry out the foregoing purposes and engage in the foregoing activities, the corporation shall have the usual powers conferred upon a stock corporation by the District of Columbia Business Corporation Act.

(d) Nothing in this title shall have the effect of waiving or otherwise affecting the applicability of the provisions of the Davis-Bacon Act (40 U.S.C. 267a—276a–5), or any other law requiring compliance with labor standards, in the case of any construction to which such provisions would otherwise apply.

NATIONAL HOUSING PARTNERSHIP

SEC. 907. (a) The corporation is authorized to arrange for the formation, as a separate organization, of a limited partnership (hereinafter in this title referred to as the "partnership") under the District of Columbia Uniform Limited Partnership Act (D.C. Code, sec. 41–401 et seq.) for the purpose of engaging in any of the activities authorized for the corporation under section 906 of this title, and to enter into a partnership agreement governing the affairs of such limited partnership.

(b) The partnership shall be subject to the provisions, to the extent consistent with this title, of (1) the District of Columbia Uniform Limited Partnership Act and (2) those provisions of the District of Columbia Uniform Partnership Act (D.C. Code, sec. 41–301 et seq.) made applicable by section 6(2) of that Act (D.C. Code, sec. 41–305(2)). Notwithstanding any inconsistency between the provisions of such Acts, or of any other law, and the provisions of this section, the partnership organized pursuant to this section shall be deemed to have the legal status of a limited partnership.

(c) The partnership is authorized to enter into partnerships, limited partnerships, or joint ventures organized under applicable State or local law for the purpose of engaging in low and moderate income housing developments, projects, or undertakings in particular localities.

(d) The corporation shall be the general partner in the partnership. The capital of the partnership and the contributions of the partners shall be in such amounts and at such times as are set forth in or pursuant to the partnership agreement.

(e) The partnership agreement shall include provisions designed to assure that (1) the partnership shall participate in low and moderate income housing developments, projects, or undertakings in a manner designed to encourage the participation therein of local interests, and (2) in any such development, project, or undertaking the partnership shall not subscribe to more than 25 per centum (including equity investments made in services or property) of the aggregate initial equity investment unless, in the judgment of the corporation as general partner, the balance of the required equity investment is not readily obtainable from other responsible investors residing or doing business in the local community.

(f) The partnership agreement may without limitation (1) permit each of the stockholders of the corporation to become a member of the partnership as a limited partner, (2) authorize the inclusion of other limited partners in addition to the stockholders of the corporation, (3) provide that the assignee of the partnership interest of a lim-

ited partner of the partnership who is also a stockholder of the corporation may not become a substituted limited partner unless he also acquires the assignor's stock of the corporation, and (4) include provisions requiring that the corporation as a general partner approve the substitution or addition of a member of the partnership.

(g) A corporation which is a limited partner in the partnership shall not become liable as a general partner by reason of the fact that (1) such corporation is a holder of shares of voting stock of the corporation constituting not more than 5 per centum of the total number of outstanding shares of such stock and exercises any of the rights (including voting rights) of a holder of such shares, and/or (2) a person who is an officer or director of such corporation (or of another corporation which controls or is subject to the control of, or is under common control with, such corporation) is a director of the corporation and performs the duties of that office. The interest of a limited partner in the partnership shall not be treated as a stock interest in the corporation, notwithstanding that such interest of a limited partner may be proportionate to his stock interest in the corporation.

(h) The certificate of the partnership and any amendment thereof required by the District of Columbia Uniform Limited Partnership Act shall be executed and acknowledged by the corporation as member and by each other member of the partnership or his attorney-in-fact duly authorized by power of attorney in writing. The corporation may execute and acknowledge the certificate and any amendment thereof as attorney-in-fact for any member, member to be substituted or added, or assigning member, by whom the certificate or amendment is required to be executed and acknowledged and who has appointed the corporation as such attorney.

REPORT TO CONGRESS AND RECORDS

SEC. 908. (a) The corporation shall submit an annual report to the President for transmittal to the Congress within six months after the end of its fiscal year. The report shall include a comprehensive and detailed report of the operations, activities, and financial condition of the corporation and the partnership under this title.

(b) The accounts of the corporation and of the partnership shall be audited annually in accordance with generally accepted auditing standards by independent certified public accountants or independent licensed public accountants certified or licensed by a regulatory authority of a State or other political subdivision of the United States.

ANTITRUST LAWS

SEC. 909. Nothing contained herein shall affect the applicability of the Federal antitrust laws to the activities of the corporation and the partnership created under this title and of the persons participating therein or in partnerships, limited partnerships, or joint ventures with either of them.

RIGHT TO REPEAL, ALTER, OR AMEND

SEC. 910. The right to repeal, alter, or amend this title at any time is expressly reserved.

AMENDMENT TO BANKING LAWS

SEC. 911. Paragraph "Seventh" of section 5136 of the Revised Statutes (12 U.S.C. 24) is amended by adding at the end thereof the following: "Notwithstanding any other provision in this paragraph, the association may purchase for its own account shares of stock issued by a corporation authorized to be created pursuant to title IX of the Housing and Urban Development Act of 1968, and may make investments in a partnership, limited partnership, or joint venture formed pursuant to section 907(a) or 907(c) of that Act."

TITLE X—RURAL HOUSING

HOUSING FOR LOW AND MODERATE INCOME PERSONS AND FAMILIES

SEC. 1001. Title V of the Housing Act of 1949 is amended by adding at the end thereof the following new section:

"LOANS TO PROVIDE OCCUPANT-OWNED, RENTAL, AND COOPERATIVE HOUSING FOR LOW AND MODERATE INCOME PERSONS AND FAMILIES

"SEC. 521. (a) Notwithstanding the provisions of sections 502, 517(a) and 515, loans to persons of low or moderate income under section 502 or 517(a)(1), and loans under section 515 to provide rental or cooperative housing and related facilities for persons and families of low or moderate income or elderly persons and elderly families, shall bear interest at a rate prescribed by the Secretary at not less than a rate determined annually by the Secretary of the Treasury taking into consideration the current average market yield on outstanding marketable obligations of the United States with remaining periods to maturity comparable to the average maturities of such loans, adjusted to the nearest one-eighth of 1 per centum, less not to exceed the difference between the adjusted rate determined by the Secretary of the Treasury and 1 per centum per annum: *Provided*, That such a loan may be made only when the Secretary determines that the needs of the applicant for necessary housing cannot be met with financial assistance from other sources including assistance under section 235 or 236 of the National Housing Act: *Provided further*, That interest on loans under section 502 or 517(a) to victims of natural disasters shall not exceed the rate which would be applicable to such loans under section 502 without regard to this section.

"(b) Housing and related facilities provided with loans described in subsection (a) shall be located in rural areas; and applicants eligible for such loans under section 502 or 517(a)(1), or for occupancy of housing provided with such loans under section 515, shall include otherwise qualified nonrural residents who will become rural residents.

"(c) There shall be reimbursed to the Rural Housing Insurance Fund by annual appropriations the amounts by which nonprincipal payments made from the fund during each fiscal year to the holders of insured loans described in subsection (a) exceed interest due from the borrowers during each year; and the Secretary from time to time may issue notes to the Secretary of the Treasury under section 517(h) to obtain amounts equal to such unreimbursed excess payments, pending the annual reimbursement by appropriation."

HOUSING FOR RURAL TRAINEES

"SEC. 1002. Title V of the Housing Act of 1949 is amended by adding after section 521 (as added by section 1001 of this Act) the following new section:

"HOUSING FOR RURAL TRAINEES

"SEC. 522. (a) Upon the application of any State or political subdivision thereof, or any public or private nonprofit organization, the Secretary is authorized, after consultation with the Secretary of Labor, the Secretary of Health, Education, and Welfare, the Secretary of Housing and Urban Development, and the Director of the Office of Economic Opportunity, and after the Secretary determines that the housing and related facilities cannot reasonably be provided in any other way, to provide financial and technical assistance for the establishment, in rural areas, of housing and related facilities for trainees and their families who are residents of a rural area and have a rural background, while such trainees are enrolled and participating in training courses designed to improve their employment capability. The selection of training sites and location of housing shall be made with due regard to the economic viability of the area, and only after consideration of a labor area survey and full coordination among all Government agencies having primary responsibility for administering related programs.

"(b) Housing and related facilities assisted under this section shall be safe and sanitary, constructed in the most economical manner, and of modest design, giving due consideration to the purposes to be served and the needs of the occupants, and may, in the discretion of the Secretary, include mobile family quarters. Design and location shall be such as to facilitate, as feasible, the use of such housing and related facilities for other purposes when no longer needed for the primary purpose.

"(c) The applicant shall contribute the necessary land, or funds to acquire such land, from its own resources, including land acquired by donation or from funds repayable under subsection (e) or borrowed from other sources.

"(d) No financial assistance shall be made available under this section unless, to the extent and for the periods required by the Secretary, the applicant agrees that—

"(1) such housing will be maintained at all times in a safe and sanitary condition in accordance with standards prescribed by State or local law, or, in the absence of such standards, with requirements prescribed by the Secretary;

"(2) priority shall be given at all times, in granting occupancy of such housing and facilities, to the trainees and their families described in subsection (a); and

"(3) rentals charged them shall not exceed amounts approved by the Secretary after considering the portion of the actual total family income which the family can afford to pay for rent while meeting its other immediate needs during occupancy.

"(e) The Secretary may make advances pursuant to any contract for financial assistance under this section at such times and in such manner as may be specified in the contract. Such advances for the purchase of land shall be repayable with interest and within a period not to exceed thirty-three years and may be made upon such security, if any, as the Secretary requires. Advances for other purposes may be made repayable with or without interest or nonrepayable, as determined by the Secretary on the basis of the anticipated income and cost of operation of the housing and related facilities and the ability of each applicant to finance such facilities. Any advances shall be limited to cover the capital costs of constructing such facilities, plus interest on borrowings to cover such costs.

"(f) Should housing and related facilities assisted pursuant to a contract under this section be sold to an ineligible transferee or diverted to a use other than its primary purpose within a period specified in the contract, all advances made under such contract shall be repaid to the Secretary, up to the amount of the sales price or the fair value of the property as determined by the Secretary, whichever is higher, with interest from the date of the sale or diversion. If no suitable alternate use of the property is available, as determined by the Secretary, after the purpose of this section can no longer be served, the property shall be returned to its original condition by the recipient of the assistance.

"(g) Interest charged on advances made under this section shall be at a rate, prescribed by the Secretary, which shall be not less than a rate determined by the Secretary of the Treasury taking into consideration the current average market yield on outstanding marketable obligations of the United States with remaining periods to maturity comparable to the average maturities of such loans, adjusted to the nearest one-eighth of 1 per centum, less not to ex-

ceed the difference between the adjusted rate determined by the Secretary of the Treasury and 1 per centum per annum, as determined by the Secretary.

"(h) The Secretary shall prescribe regulations to insure that Federal funds expended under this section are not wasted or dissipated.

"(i) As used in this section (1) the term 'related facilities' shall include any necessary community rooms or buildings, infirmaries, utilities, access roads, water and sewer services, and the minimum fixed or movable equipment determined by the Secretary to be necessary to make the housing reasonably habitable by trainees and their families; and (2) the term 'trainee' means any person receiving training under any federally assisted training program.

"(j) There are authorized to be appropriated such sums as may be necessary to carry out this section."

APPROPRIATIONS

SEC. 1003. Section 513 of the Housing Act of 1949 is amended—

(1) by striking out "and (e)" and inserting in lieu thereof "(e)"; and

(2) by inserting before the period at the end thereof the following: "; and (f) such sums as may be required by the Secretary to administer the provisions of sections 235 and 236 of the National Housing Act".

PURCHASE OF LAND FOR BUILDING SITES

SEC. 1004. Section 514(f)(2) of the Housing Act of 1949 is amended—

(1) by striking out "and" before "(B)", and

(2) by inserting before the semicolon at the end thereof the following: "and (C) land necessary for an adequate site".

MUTUAL AND SELF-HELP HOUSING

SEC. 1005. Title V of the Housing Act of 1949 is amended by adding after section 522 (as added by section 1002 of this Act) the following new section:

"MUTUAL AND SELF-HELP HOUSING

"SEC. 523. (a) The purposes of this section are (1) to make financial assistance available on reasonable terms and conditions in rural areas and small towns to needy low-income individuals and their families who, with the benefit of technical assistance and overall guidance and supervision, participate in approved programs of mutual or self-help housing by acquiring and developing necessary land, acquiring building materials, providing their own labor, and working cooperatively with others for the provision of decent, safe, and sanitary dwellings for themselves, their families, and others in the area or town involved, and (2) to facilitate the efforts of both public and private nonprofit organizations providing assistance to such individuals to contribute their technical and supervisory skills toward more effective and comprehensive programs of mutual or self-help housing in rural areas and small towns wherever necessary.

"(b) In order to carry out the purposes of this section, the Secretary of Agriculture (in this section referred to as the 'Secretary') is authorized—

"(1)(A) to make grants to, or contract with, public or private nonprofit corporations, agencies, institutions, organizations, and other associations approved by him, to pay part or all of the cost of developing, conducting, administering, or coordinating effective and comprehensive programs of technical and supervisory assistance which will aid needy low-income individuals and their families in carrying out mutual or self-help housing efforts; and

"(B) to establish the Self-Help Housing Land Development Fund, referred to herein as the Self-Help Fund, to be used by the Secretary as a revolving fund for making loans, on such terms and conditions and in such amounts as he deems necessary, to public or private nonprofit organizations for the acquisition and development of land as building sites to be subdivided and sold to families, nonprofit organizations, and cooperatives eligible for assistance under section 235 or 236 of the National Housing Act or section 521 of this Act. Such a loan, with interest at a rate not to exceed 3 percent per annum, shall be repaid within a period not to exceed two years from the making of the loan, or within such additional period as may be authorized by the Secretary in any case as being necessary to carry out the purposes hereof; and

"(2) To make loans, on such terms and conditions and in such amounts as he deems necessary, to needy low-income individuals participating in programs of mutual or self-help housing approved by him, for the acquisition and development of land and for the purchase of such other building materials as may be necessary in order to enable them, by providing substantially all of their own labor, and by cooperating with others participating in such programs, to carry out to completion the construction of decent, safe, and sanitary dwellings for such individuals and their families, subject to the following limitations:

"(A) there is reasonable assurance of repayment of the loan;

"(B) the amount of the loan, together with other funds which may be available, is adequate to achieve the purpose for which the loan is made;

"(C) the credit assistance is not otherwise available on like terms or conditions from private sources or through other Federal, State, or local programs;

"(D) the loan bears interest at a rate not to exceed 3 per centum per annum on the unpaid balance of principal, plus such additional charge, if any, toward covering other costs of the loan program as the Secretary may determine to be consistent with its purposes; and

"(E) the loan is repayable within not more than thirty-three years.

"(c) In determining whether to extend financial assistance under paragraph (1) or (2) of subsection (b), the Secretary shall take into consideration, among other factors, the suitability of the area within which construction will be carried out to the type of dwelling which can be provided under mutual or self-help housing programs, the extent to which the assistance will facilitate the provision of more decent, safe, and sanitary housing conditions than presently exist in the area, the extent to which the assistance will be utilized efficiently and expeditiously, the extent to which the assistance will effect an increase in the standard of living of low-income individuals participating in the mutual or self-help housing program, and whether the assistance will fulfill a need in the area which is not otherwise being met through other programs, including those carried out by other Federal, State, or local agencies.

"(d) As used in this section, the term 'construction' includes the erection of new dwellings, and the rehabilitation, alteration, conversion, or improvement of existing structures.

"(e) The Secretary is authorized to establish appropriate criteria and procedures in order to determine the eligibility of applicants for the financial assistance provided under this section, including criteria and procedures with respect to the periodic review of any construction carried out with such financial assistance.

"(f) There are hereby authorized to be appropriated for each fiscal year commencing after June 30, 1968, and ending prior to July 1, 1973, such sums, not in excess of $5,000,000 for any such fiscal year, as may be necessary to carry out the provisions of this section. No grant or loan may be made or contract entered into under the authority of this section after June 30, 1973, except pursuant to a commitment or other obligation entered into pursuant to this section before that date.

"(g) There are hereby authorized to be appropriated for the purposes of subsection (b)(1)(B) not to exceed $1,000,000 for the fiscal year ending June 30, 1969, and not to exceed $2,000,000 for the fiscal year ending June 30, 1970. Any amount so authorized to be appropriated for any fiscal year which is not appropriated may be appropriated for any succeeding fiscal year or years. Amounts appropriated under this subsection shall be deposited in the Self-Help Fund, which shall be available without fiscal year limitation for making loans under subsection (b)(1)(B). Instruments and property required by the Secretary in or as a result of making such loans shall be assets of the Self-Help Fund. Sums received from the repayment of such loans shall be deposited in and be a part of the Self-Help Fund."

TITLE XI—URBAN PROPERTY PROTECTION AND REINSURANCE

SHORT TITLE

SEC. 1101. This title may be cited as the "Urban Property Protection and Reinsurance Act of 1968."

FINDINGS AND DECLARATION OF PURPOSE

SEC. 1102. (a) The Congress finds that (1) the vitality of many American cities is being threatened by the deterioration of their inner city areas; responsible owners of well-maintained residential, business, and other properties in many of these areas are unable to obtain adequate property insurance coverage against fire, crime, and other perils; the lack of such insurance coverage accelerates the deterioration of these areas by discouraging private investment and restricting the availability of credit to repair and improve property therein; and this deterioration poses a serious threat to the national economy; (2) recent riots and other civil commotion in many American cities have brought about abnormally high losses to the private property insurance industry for which adequate reinsurance cannot be obtained at reasonable cost, and the risk of such losses will make most lines of property insurance even more difficult to obtain; (3) the capacity of the private property insurance industry to provide adequate insurance is threatened, and the continuity of such property insurance protection is essential to the extension of credit in these areas; and (4) the national interest demands urgent action by the Congress to assure that essential lines of property insurance, including lines providing protection against riot and civil commotion damage will be available to property owners at reasonable cost.

(b) The purposes of this title are, therefore, to (1) encourage and assist the various State insurance authorities and the property insurance industry to develop and carry out statewide programs which will make necessary property insurance coverage against the fire, crime, and other perils more readily available for residential, business, and other properties meeting reasonable underwriting standards; and (2) provide a Federal program of reinsurance against abnormally high property insurance losses resulting from riots and other civil commotion, placing appropriate financial responsibility upon the States to share in such losses.

AMENDMENT OF THE NATIONAL HOUSING ACT

SEC. 1103. The National Housing Act is amended by adding at the end thereof the following new title:

"TITLE XII—NATIONAL INSURANCE DEVELOPMENT PROGRAM

"PROGRAM AUTHORITY

"SEC. 1201. (a) The Secretary is authorized to establish and carry out the programs provided for in parts A, B, and C of this title.

"(b)(1) The powers of the Secretary under

this title shall terminate on April 30, 1973, except to the extent necessary—

"(A) to continue reinsurance in accordance with the provisions of section 1223(b) until April 30, 1976;

"(B) to process, verify, and pay claims for reinsured losses and perform other necessary functions in connection therewith; and

"(C) to complete the liquidation and termination of the reinsurance program.

"(2) On April 30, 1976, or as soon thereafter as possible, the Secretary shall submit to the Congress for its approval, a plan for the liquidation and termination of the reinsurance program.

"ADVISORY BOARD; MEETINGS, DUTIES, COMPENSATION, AND EXPENSES

"SEC. 1202. (a) (1) There is established an Advisory Board (hereinafter called the 'Board') consisting of nineteen members appointed by the Secretary. Members of the Board shall be selected from among representatives of the general public, the insurance industry, State and local governments including State insurance authorities, and the Federal Government. Of these members of the Board, not more than six shall be regular full-time employees of the Federal Government, and not less than four shall be representatives of the private insurance industry and not less than four shall be representatives of State insurance authorities.

"(2) The Secretary shall designate a Chairman and a Vice Chairman of the Board.

"(3) Each member shall serve for a term of two years or until his successor has been appointed, except that no person who is appointed while a full-time employee of a State or the Federal Government shall serve in such position after he ceases to be so employed, unless he is reappointed.

"(4) Any member appointed to fill a vacancy occurring prior to the expiration of the term for which his predecessor was appointed shall be appointed for the remainder of that term.

"(b) The Chairman shall preside at all meetings, and the Vice Chairman shall preside in the absence or disability of the Chairman. In the absence of both the Chairman and Vice Chairman, the Secretary may appoint any member to act as Chairman pro tempore. The Board shall meet at such times and places as it or the Secretary may fix and determine, but shall hold at least four regularly scheduled meetings a year. Special meetings may be held at the call of the Chairman or any three members of the Board, or at the call of the Secretary.

"(c) The Board shall review general policies and shall advise the Secretary with respect thereto, and perform such other functions as are specified in this title.

"(d) The members of the Board shall not, by reason of such membership, be deemed to be employees of the United States, and such members, except those who are regular full-time employees of the Government, shall receive for their services, as members, the per diem equivalent to the rate for grade GS–18 of the General Schedule under section 5332 of title 5, United States Code, when engaged in the performance of their duties, and each member of the Board shall be allowed travel expenses, including per diem in lieu of subsistence, as authorized by section 5703 of such title for persons in the Government service employed intermittently.

"DEFINITIONS

"SEC. 1203. (a) When used in this title, unless the context otherwise requires, the term—

"(1) 'environmental hazard' means any hazardous condition that might give rise to loss under an insurance contract, but which is beyond the control of the property owner;

"(2) 'essential property insurance' means insurance against direct loss to property as defined and limited in standard fire policies and extended coverage endorsement thereon, as approved by the State insurance authority and insurance for such types, classes, and locations of property against the perils of vandalism, malicious mischief, burglary, or theft, as the Secretary by rule shall designate. Such insurance shall not include automobile insurance and shall not include insurance on such types of manufacturing risks as may be excluded by the State insurance authority;

"(3) 'inspection facility', with respect to any State, means any rating bureau or other person designated by the State insurance authority to perform inspections under fair access to insurance requirements plans under part A;

"(4) 'insurer' includes any insurance company or group of companies under common ownership which is authorized to engage in the insurance business under the laws of any State;

"(5) 'pool' means any pool or association of insurance companies in any State which is formed, associated, or otherwise created for the purpose of making property insurance more readily available;

"(6) 'losses resulting from riots or civil disorders' means losses resulting from riots or civil disorders under policies for standard lines of property insurance for which reinsurance is offered under section 1221, as determined under regulations of the Secretary;

"(7) 'property owner', with respect to any real, personal, or mixed real and personal property, means any person having an insurable interest in such property;

"(8) 'person' includes any individual or group of individuals, corporation, partnership, or association, or any other organized group of persons;

"(9) 'reinsured losses' means losses on reinsurance claims and all direct expenses incurred in connection therewith including, but not limited to expenses for processing, verifying, and paying such losses;

"(10) 'standard line of property insurance' includes—

"(A) fire and extended coverage;

"(B) vandalism and malicious mischief;

"(C) other allied lines of fire insurance;

"(D) burglary and theft;

"(E) those portions of multiple peril policies covering perils similar to those provided for in subparagraphs (A), (B), (C), and (D);

"(F) inland marine;

"(G) glass;

"(H) boiler and machinery;

"(I) ocean marine;

"(J) aircraft physical damage; and

"(K) such other lines generally offered to the public which include protection against damage from riot or civil commotion as the Secretary by regulation may designate;

"(11) 'State' means the several States, the District of Columbia, the Commonwealth of Puerto Rico, the territories and possessions, and the Trust Territory of the Pacific Islands;

"(12) 'urban area' includes any municipality or other political subdivision of a State, subject to population or other limitations defined in rules and regulations of the Secretary and such additional areas as may be designated by the State insurance authority; and

"(13) 'year' means a calendar year, fiscal year of a company, or such other period of twelve months as may be designated by the Secretary.

"(b) The Secretary is authorized to define, by rules and regulations, any technical or trade term, insofar as such definition is not inconsistent with the provisions of this title.

"PART A—STATEWIDE PLANS TO ASSURE FAIR ACCESS TO INSURANCE REQUIREMENTS

"FAIR PLANS

"SEC. 1211. (a) Each insurer reinsured under this title shall cooperate with the State insurance authority in each State in which it is to acquire such reinsurance in establishing and carrying out statewide plans to assure fair access to insurance requirements (FAIR plans).

"(b) Such plans must be approved by, and administered under the supervision of, the State insurance authority, or be authorized or required by State law, and shall be designed to make essential property insurance more readily available in, but not necessarily limited to, urban areas. Such plans may vary in detail from State to State because of local conditions, but all plans shall contain provision that—

"(1) no risk shall be written at surcharged rates or be denied insurance coverage for essential property insurance unless there has first been an inspection of the risk, without cost to the owner, by an inspection facility and a determination by the insurer, based on information in the inspection report and other sources, that the risk does not meet reasonable underwriting standards at the applicable premium rate;

"(2) inspections under the plan may be requested by the property owner or his representative, the insurer, or the insurance agent, broker or other producer, and such requests need not be made in writing;

"(3) the absence of a building owner or his representative during an inspection shall not preclude a tenant seeking insurance from obtaining an inspection under the plan;

"(4) following the inspection, a copy of the inspection report shall be promptly sent by the inspection facility to the insurer or insurers, or to an all-industry placement facility referred to under section 1212, as may be designated by the person requesting the inspection;

"(5) after the inspection report is received by an insurer, it shall promptly determine if the risk meets reasonable underwriting standards at the applicable premium rate and shall promptly return to the inspection facility the inspection report and provide an action report setting forth—

"(A) (i) the amount of coverage it agrees to write; and if the insurer agrees to write the coverage with a surcharge (if such a surcharge is authorized by the State insurance authority), the improvements necessary before it will provide coverage at an unsurcharged premium rate; and

"(ii) the amount of coverage it agrees to write if certain improvements specified in the action report are made; or

"(B) the specific reasons it declines to write coverage;

"(6) if the insurer declines the risk, or agrees to write the coverage sought on condition that the property will be improved, it shall also promptly send a copy of both the inspection and action reports to the property owner and the State insurance authority, and at the time the insurer sends such reports to the property owner, it shall also explain his right, under applicable State laws, to appeal the decision of the insurer to the State insurance authority, setting forth the procedures to be followed for such appeal;

"(7) all policies written pursuant to the plan shall be promptly written after inspection or reinspection and shall be separately coded so that appropriate records may be compiled for purposes of performing loss prevention and other studies of the operation of the plan;

"(8) the inspection facility shall submit to the State insurance authority and to the Secretary periodic reports setting forth information, by individual insurers, including the number of risks inspected under the plan, the number of risks accepted, the number of risks conditionally accepted and reinspections made, the number of risks declined, and such other information as the State insurance authority may request;

"(9) notice will be given to any policy-

holder a reasonable time prior to the cancellation or nonrenewal of any risk eligible under the plan (except in case of nonpayment of premium or evidence of incendiarism), to allow ample time for an application for new coverage to be made and a new policy to be written under the plan, and the insurer shall, in writing, explain to the policyholder the procedures for obtaining an inspection under the plan in the notice of cancellation or nonrenewal; and

"(10) a continuing public education program will be undertaken by the participating insurers, agents, and brokers to assure that the plan receives adequate public attention.

"ALL-INDUSTRY PLACEMENT FACILITY

"SEC. 1212. Any plan under this part shall include an all-industry placement facility doing business with every insurer participating in the plan in the State, and shall provide that this facility shall perform certain functions including, but not limited, to the following:

"(1) seeking, upon request by or on behalf of any property owner requesting an inspection under the plan, to distribute the risks involved equitably among the insurers with which it is doing business; and

"(2) seeking to place insurance up to the full insurable value of the risk to be insured with one or more insurers with which it is doing business, except to the extent that deductibles, percentage participation clauses, and other underwriting devices are employed to meet special problems of insurability.

"INDUSTRY COOPERATION

"SEC. 1213. (a) Each insurer seeking reinsurance under this title shall file a statement with the State insurance authority in each State in which it is participating in a plan under this part, pledging its full participation and cooperation in carrying out the plan, and shall file a copy of such statement with the Secretary.

"(b) No insurer acquiring reinsurance under this title shall direct any agent or broker or other producer not to solicit business through such a plan, nor shall any agent, broker, or other producer be penalized by such insurer in any way for submitting applications for insurance to an insurer under the plan.

"PLAN EVALUATION

"SEC. 1214. (a) In accordance with such rules and regulations as the Secretary may prescribe, each State insurance authority shall—

"(1) transmit to the Secretary any proposed or adopted plan, or amendments thereto; and

"(2) advise the Secretary, from time to time, concerning the operation of the plan, its effectiveness in providing essential property insurance, and the need to form a pool of insurers or adopt other programs to make essential property insurance more readily available in urban areas of the State.

"(b) The Secretary may, after full consultation with the Board, by rules and regulations, modify the plan criteria set forth under this part, if he finds, on the basis of experience, that such action is necessary or desirable to carry out the purposes of this title. The Secretary may also, with respect to any State, waive compliance with one or more of the plan criteria, upon certification by the State insurance authority that compliance is unnecessary or inadvisable under local conditions or State law.

"PART B—REINSURANCE COVERAGE

"REINSURANCE OF LOSSES FROM RIOTS OR CIVIL DISORDERS

"SEC. 1221. (a)(1) The Secretary is authorized to offer to any insurer or pool, subject to the conditions set forth in section 1223, reinsurance against property losses resulting from riots or civil disorders in any one or more States.

"(2) Reinsurance shall be offered to any such insurer or pool only on all standard lines of property insurance enumerated under subparagraphs (A) through (E) of section 1203(a)(10) together, and any insurer or pool purchasing such reinsurance shall also be eligible to purchase reinsurance on any one or more standard lines of property insurance enumerated under subparagraphs (F) through (J) of section 1203(a)(10) or which may be designated by regulation pursuant to subparagraph (K) of that section.

"(b) Reinsurance coverage under this section may be provided immediately following the enactment of this title to any insurer or pool in any State on a temporary basis, and on such terms and conditions as may be agreed upon, and coverage under such terms and conditions may be bound with respect to any such insurer or pool by means of a written binder which shall remain in force not more than ninety days and shall expire at the earlier of either—

"(1) the termination of such ninety-day period, or

"(2) the effective date of any governing contract, agreement, treaty, or other arrangement entered into between the insurer or pool and the Secretary under section 1222 for the purpose of providing reinsurance coverage against losses resulting from riots or civil disorders.

"(c) No reinsurance shall be offered to any insurer or pool in a State after the expiration of the written binder entered into under subsection (b), unless there is in effect in such State a plan as set forth under part A and the insurer or pool is participating in such plan, and unless, in the case of an insurer in a State where a pool has been established pursuant to State law, the insurer is participating in such a pool.

"REINSURANCE AGREEMENTS AND PREMIUMS

"SEC. 1222. (a) During the first year following the date of the enactment of this title, the Secretary is authorized to enter into any contract, agreement, treaty, or other arrangement with any insurer or pool for reinsurance coverage, in consideration of payment of such premiums, fees, or other charges by insurers or pools which the Secretary, after full consultation with the Board, deems to be adequate to obtain aggregate reinsurance premiums for deposit in the National Insurance Development Fund established under section 1233 in excess of the estimated amount of insured riot losses during the calendar year 1967, on the assumption that a substantial proportion of the property insurance written will be reinsured under this title, and thereafter the Secretary may increase or decrease such premiums for reinsurance if it is found after full consultation with the Board and the National Association of Insurance Commissioners that such action is necessary or appropriate to carry out the purposes of this title.

"(b) Reinsurance offered under this title shall reimburse an insurer or pool for its total proved and approved claims for covered losses resulting from riots or civil disorders during the term of the reinsurance contract, agreement, treaty, or other arrangement, over and above the amount of the insurer's or pool's retention of such losses as provided in such reinsurance contract, agreement, treaty, or other arrangement entered into under this section.

"(c) Such contracts, agreements, treaties, or other arrangements may be made without regard to section 3679(a) of the Revised Statutes of the United States (31 U.S.C. 665 (a)), and shall include any terms and conditions which the Secretary deems necessary to carry out the purposes of this title. The premium rates, terms, and conditions of such contracts with insurers or pools, throughout the country, in any one year shall be uniform.

"(d) Any contract, agreement, treaty, or other arrangement for reinsurance under this section shall be for a term expiring on April 30, 1969, and on April 30 each year thereafter, and shall be entered into within ninety days after the date of the enactment of this title or within ninety days prior to April 30 each year thereafter, or within ninety days after an insurer is authorized to write insurance eligible for reinsurance in a State which it was not authorized to write in the preceding year.

"CONDITIONS OF REINSURANCE

"SEC. 1223. (a) Subject to the provisions of subsection (b), reinsurance shall not be offered by the Secretary in a State or be applicable to insurance policies written in that State by an insurer—

"(1) after one year following the date of the enactment of this title, or, if the appropriate State legislative body has not met in regular session during that year, by the close of its next regular session, in any State which has not adopted appropriate legislation, retroactive to the date of the enactment of this title, under which the State, its political subdivisions, or a governmental corporation or fund established pursuant to State law, will reimburse the Secretary, in an amount up to 5 per centum of the aggregate property insurance premiums earned in that State during the preceding calendar year on those lines of insurance reinsured by the Secretary in that State during the current year, such that the Secretary may be reimbursed for amounts paid by him in respect to reinsured losses that occurred in that State during a calendar year in excess of (A) reinsurance premiums received in that State during the same calendar year plus (B) the excess of (i) the total premiums received by the Secretary for reinsurance in that State during a preceding period measured from the end of the most recent calendar year with respect to which the Secretary was reimbursed for losses under this title over (ii) any amounts paid by the Secretary for reinsured losses that occurred during the same period;

"(2) after thirty days following notification to the insurer that the Secretary finds (after consultation with the State insurance authority) that there has not been adopted by the State, or the property insurance industry in that State, a suitable program or programs, in addition to plans under part A, to make essential property insurance available without regard to environmental hazards, and that such action is necessary to carry out the purposes of this title; except that this paragraph shall not become effective until two years after the date of the enactment of this title, or at such earlier date as the Secretary, after consultation with the State insurance authority, may determine;

"(3) after thirty days following notification to the insurer that the Secretary, or the State insurance authority, finds that such insurer is not fully participating—

"(A) in the plan in the State;

"(B) where it exists, in a pool; and

"(C) where it exists, in any other program found by the Secretary to aid in making essential property insurance more readily available in the State:

Provided: That the Secretary shall not make any such finding with respect to any insurer unless (i) prior to making such finding the Secretary has requested and considered the views of the State insurance authority as to whether such finding should be made, or (ii) the Secretary has made such a request in writing to the State insurance authority and such authority has failed to respond thereto within a reasonable period of time after receiving such request;

"(4) following a merger, acquisition, consolidation or reorganization involving one or more insurers having lines of property in-

surance in the State reinsured under this title and one or more insurers with or without such reinsurance, unless the surviving company—

"(A) meets the criteria of eligibility for reinsurance, other than as provided under section 1222(d); and

"(B) within ten days pays any reinsurance premiums due; or

"(5) upon receipt of notice from the insurer or pool that it desires to cancel its reinsurance agreement with the Secretary in the State.

"(b) Notwithstanding the foregoing provisions of this section, reinsurance may be continued for the term of the policies written prior to the date of termination or nonrenewal of reinsurance under this section, for as long as the insurer pays reinsurance premiums annually in such amounts as are determined under section 1222, based on the annual premiums earned on such reinsured policies, and for the purpose of this subsection, the renewal, extension, modification, or other change in a policy, for which any additional premium is charged, shall be deemed to be a policy written on the date such change was made.

"(b)(1) Upon disallowance of any claim under color of reinsurance made available under this title, or upon refusal of the claimant to accept the amount allowed upon any such claim, the claimant may institute an action against the Secretary on such claim in the United States district court for the district in which a major portion (in terms of value) of the claim arose.

"(2) Any such action must be begun within one year after the date upon which the claimant received written notice of disallowance or partial disallowance of the claim, and exclusive jurisdiction is hereby conferred upon United States district courts to hear and determine such actions without regard to the amount in controversy.

"FISCAL INTERMEDIARIES AND SERVICING AGENTS

"SEC. 1232. (a) In order to provide for maximum efficiency in the administration of the reinsurance program under this title, and in order to facilitate the expeditious payment of any funds under such program, the Secretary may enter into contracts with any insurer, pool, or other person, for the purpose of providing for the performance of any or all of the following functions:

"(1) estimating or determining any amounts of payments for reinsurance claims;

"(2) receiving and disbursing and accounting for funds in making payments for reinsurance claims;

"(3) auditing the records of any insurer, pool, or other person to the extent necessary to assure that proper payments are made;

"(4) establishing the basis of liability for reinsurance payments, including the total amount of proved and approved claims which may be payable to any insurer, and the total amount of premiums earned by any insurer in the respective States for reinsured lines of property insurance; and

"(5) otherwise assisting in any manner provided in the contract to further the purposes of this title.

"(b)(1) Any such contract may require the insurer, pool, or other person, or any of its officers or employees certifying payments or disbursing funds pursuant to the contract, or otherwise participating in carrying out the contract, to give surety bond to the United States in such amounts as the Secretary may deem appropriate.

"(2) In the absence of gross negligence or intent to defraud the United States—

"(A) no individual designated pursuant to a contract under this section to certify payments shall be liable with respect to any payment certified by him under this section; and

"(B) no officer of the United States disbursing funds shall be liable with respect to any otherwise proper payment by him if it was based on a voucher signed by an individual designated pursuant to a contract under this section to certify payments.

"NATIONAL INSURANCE DEVELOPMENT FUND

"SEC. 1233. (a) To carry out the programs authorized under this title, the Secretary is authorized to establish a National Insurance Development Fund (hereinafter called the 'fund') which shall be available, without fiscal year limitations—

"(1) to make such payments as may, from time to time, be required under reinsurance contracts under this title;

"(2) to pay such administrative expenses as may be necessary or appropriate to carry out the purposes of this title; and

"(3) to repay to the Secretary of the Treasury such sums, including interest thereon, as may be borrowed from him for purposes of such programs under section 520(b).

"(b) The fund shall be credited with—

"(1) reinsurance premiums, fees, and other charges which may be paid or collected in connection with reinsurance provided under part B;

"(2) interest which may be earned on investments of the fund;

"(3) such amounts as may be advanced to the fund from appropriations in order to maintain the fund in an operative condition adequate to meet its liabilities;

"(4) receipts from any other source which may, from time to time, be credited to the fund; and

"(5) funds borrowed by the Secretary under section 520(b) and deposited in the fund.

"(c) If, after any amounts which may have been advanced to the fund from appropriations have been credited to the appropriation from which advanced (including interest thereon at the rate prescribed under section 520(b)), the Secretary determines that the moneys of the fund are in excess of current needs, he may request the investment of such amounts as he deems advisable by the Secretary of the Treasury in obligations issued or guaranteed by the United States.

"(d) An annual business-type budget for the fund shall be prepared, transmitted to the Congress, considered, and enacted in the manner prescribed by law (sections 102, 103, and 104 of the Government Corporation Control Act (31 U.S.C. 847–849)) for wholly-owned Government corporations.

"RECORDS, ANNUAL STATEMENT, AND AUDITS

"SEC. 1234. (a) Any insurer or pool acquiring reinsurance under this title shall furnish the Secretary with such summaries and analyses of information in its records as may be necessary to carry out the purposes of this title, in such form as the Secretary, in cooperation with the State insurance authority, shall, by rules and regulations, prescribe. The Secretary shall make use of State insurance authority examination reports and facilities to the maximum extent feasible.

"(b) Any insurer or pool acquiring reinsurance under this title shall file with the Secretary a true and correct copy of any annual statement, or amendment thereof, filed with the State insurance authority of its domiciliary State, at the time it files such statement or amendment with such State insurance authority.

"(c) Any insurer or other person executing any contract, agreement, or other appropriate arrangement with the Secretary under section 1222 or section 1232 shall keep reasonable records which fully disclose the total costs of the programs undertaken or the services being rendered, and such other records as will facilitate an effective audit of liability for reinsurance payments by the Secretary.

"(d) The Secretary and the Comptroller General of the United States, or any of their duly authorized representatives, shall have access for the purpose of investigation, audit, and examination to any books, documents, papers, and records of any insurer or other person that are pertinent to the costs of any program undertaken for, or services rendered to, the Secretary. Such audits shall be conducted to the maximum extent feasible in cooperation with the State insurance authorities and through the use of their examining facilities.

"STUDY OF REINSURANCE AND OTHER PROGRAMS

"SEC. 1235. (a) The Secretary is authorized and directed to conduct a study of reinsurance and other means to help assure—

"(1) an adequate market for burglary and theft and other property insurance in urban areas; and

"(2) adequate availability of surety bonds for construction contractors in urban areas.

"(b) The Secretary shall submit the results of this study, together with appropriate recommendations, to the President and Congress no later than one year following the date of the enactment of this title.

"OTHER STUDIES

"SEC. 1236. (a) The Secretary is authorized to undertake such studies as may be necessary to carry out the purposes of this title including, but not limited to, inquiries concerning—

"(1) the operation of plans under part A;

"(2) the extent to which essential property insurance is unavailable in urban areas;

"(3) the market for private reinsurance; and

"(4) loss prevention methods and procedures, insurance marketing methods, and underwriting techniques.

"(b) To such extent and under such circumstances as may be practicable and feasible, the Secretary shall conduct any study authorized under this section in cooperation with State insurance authorities and the private insurance industry.

"GENERAL POWERS

"SEC. 1237. In the performance of, and with respect to, the functions, powers, and duties vested in him by this title, the Secretary shall (in addition to any authority otherwise vested in him) have the functions, powers, and duties (including the authority to issue rules and regulations) set forth in section 402, except subsections (c)(2), (d), and (f), of the Housing Act of 1950. Any rules and regulations of the Secretary shall only be issued after full consultation with the Board and after notice and hearing, if granted, as required by the Administrative Procedure Act.

"SERVICES AND FACILITIES OF OTHER AGENCIES—UTILIZATION OF PERSONNEL, SERVICES, FACILITIES, AND INFORMATION

"SEC. 1238. The Secretary may, with the consent of the agency concerned, accept and utilize, on a reimbursable basis, the officers, employees, services, facilities, and information of any agency of the Federal Government, except that any such agency having custody of any data relating to any of the matter within the jurisdiction of the Secretary shall, to the extent permitted by law, upon request of the Secretary, make such data available to the Secretary.

"ADVANCE PAYMENTS

"SEC. 1239. Any payments which are made under the authority of this title may be made, after necessary adjustments on account of previously made underpayments or overpayments in advance or by way of reimbursement. Payments may be made in such installments and on such conditions as the Secretary may determine.

"TAXATION

"SEC. 1240. (a) The National Insurance Development Fund, including its reserves, surplus, and income, shall be exempt from all

taxation now or hereafter imposed by the United States, or by any State, or any subdivision thereof, except that any real property acquired by the Secretary as a result of reinsurance shall be subject to taxation by any State or political subdivision thereof, to the same extent, according to its value, as other real property is taxed.

"(b) Any measures undertaken by any State to meet or to fund its obligations under section 1223(a)(1) shall not be the subject of any retaliatory or fiscal imposition by any other State.

"APPROPRIATIONS

"SEC. 1241. There are hereby authorized to be appropriated such sums as may be necessary to carry out this title."

FINANCING

SEC. 1104. Section 520(b) of the National Housing Act is amended by inserting "(1)" after "necessary" in the first sentence, and by striking out the period at the end of such sentence and inserting in lieu thereof ", and (2) to make payments for reinsured losses under title XII of this Act: Provided, however, That borrowings to make payments for reinsured losses under title XII shall be limited to $250,000,000 or such further sum as the Congress, by joint resolution, may from time to time determine."

FEDERAL INSURANCE ADMINISTRATOR

SEC. 1105. (a) There is hereby established in the Department of Housing and Urban Development the position of Federal Insurance Administrator.

(b) Section 5315 of title 5 United States Code, is amended by adding at the end thereof the following new paragraph:

"(91) Federal Insurance Administrator, Department of Housing and Urban Development."

CLARIFYING AMENDMENTS TO ACTS REFERRING TO DISASTERS

SEC. 1106. (a) Section 7(b)(1) of the Small Business Act is amended by inserting ", riots or civil disorders," before "or other catastrophes".

(b) Section 101(c)(2)(E) of the Housing and Urban Development Act of 1965 is amended by striking out "natural".

(c) Section 111 of the Housing Act of 1949 is amended by striking out "the Secretary" after "disaster," and inserting in lieu thereof "or which the Secretary has determined is in need of such redevelopment or rehabilitation as a result of a riot or civil disorder, he".

(d) Section 203(h) of the National Housing Act is amended by inserting "riot or civil disorder," before "or other catastrophe".

(e) No person who has been convicted of committing a felony during and in connection with a riot or civil disorder shall be permitted, for a period of one year after the date of his conviction, to receive any benefit under any law of the United States providing relief for disaster victims.

TITLE XII—DISTRICT OF COLUMBIA INSURANCE PLACEMENT ACT

SHORT TITLE

SEC. 1201. This title may be cited as the "District of Columbia Insurance Placement Act".

DECLARATION OF PURPOSE

SEC. 1202. The purposes of this title are—

(1) to assure stability in the property insurance market for property located in the District of Columbia;

(2) to assure the availability of basic property insurance as defined by this title;

(3) to encourage maximum use, in obtaining basic property insurance, of the normal insurance market provided by authorized insurers; and

(4) to provide for the equitable distribution among insurers of the responsibility for insuring qualified property in the District of Columbia for which insurance cannot be obtained through the normal insurance market and to authorize the establishment of a joint underwriting association in the District of Columbia to provide for reinsuring of basic property insurance without regard to environmental hazards.

DEFINITIONS

SEC. 1203. As used in this title, unless the context otherwise requires—

(1) The term "Commissioner" means the Commissioner of the District of Columbia or his designated agent.

(2) The term "basic property insurance" means (1) insurance against direct loss to property caused by perils as defined and limited in the standard fire policy and extended coverage endorsement thereon, as approved by the Commissioner, and (2) such other insurance (including insurance against the perils of vandalism, malicious mischief, burglary, theft, and robbery) as the Commissioner may designate (under regulations adopted or made under section 1205 of this title) from those lines of property insurance for which reinsurance is available for losses from riots or civil disorders under part B of title XII of the National Housing Act.

(3) The term "environmental hazard" means any hazardous condition that might give rise to loss under an insurance contract, but which is beyond the control of the property owner.

(4) The term "inspection bureau" means any rating bureau or other organization designated by the Commissioner to perform inspections to determine the condition of the properties for which basic property insurance is sought.

(5) The terms "Industry Placement Facility" and "Facility" mean the facility consisting of all insurers licensed to write and engaged in writing basic property insurance (including homeowners and commercial multiperil policies) within the District of Columbia to assist agents, brokers, and applicants in securing basic property insurance.

(6) The term "premiums written" means gross direct premiums charged with respect to property in the District of Columbia on all policies of basic property insurance and the basic property insurance premium components of all multiperil policies, less all premiums and dividends returned, paid, or credited to policyholders or the unused or unabsorbed portions of premiums deposits.

(7) The term "property owner" means any person having an insurable interest in real, personal, or mixed real and personal property.

INDUSTRY PLACEMENT FACILITY

SEC. 1204. (a) Within thirty days after the date of the enactment of this title all insurers licensed to write and engaged in writing in the District of Columbia, on a direct basis, basic property insurance or any component thereof in multiperil policies, shall establish an Industry Placement Facility. The Facility shall formulate and administer a program, subject to disapproval by the Commissioner in whole or in part, to seek the equitable apportionment among such insurers of basic property insurance which may be afforded applicants in the District of Columbia whose property is insurable in accordance with reasonable underwriting standards and who individually or through their insurance agent or broker request the aid of the Facility to procure such insurance. The Facility shall seek to place insurance with one or more participating companies up to the full insurable value of the risk, if requested, except to the extent that deductibles, percentage participation clauses, and other underwriting devices are employed to meet special problems of insurability.

(b) The Facility may, subject to the approval of the Commissioner, provide as part of its program for the equitable distribution of commercial risks and dwelling risks among insurers.

(c) Each insurer licensed to write and engaged in writing in the District of Columbia, on a direct basis, basic property insurance or any component thereof in multiperil policies shall participate in the Industry Placement Facility program in accordance with the established rules of the program as a condition of of its authority to transact such kinds of insurance in the District of Columbia, except that, in lieu of revoking or suspending the certificate of authority of any company for any failure to comply with any of the established rules of the program, the Commissioner may subject such company to a penalty of not more than $200 for each such failure to so comply when in his judgment he finds that the public interest would be best served by the continued operation of the company in the District of Columbia.

FAIR ACCESS TO INSURANCE REQUIREMENTS

SEC. 1205. (a) The Industry Placement Facility shall on its own motion, or within thirty days after a request by the Commissioner, submit to the Commissioner such proposed rules and regulations applicable to insurers, agents, and brokers deemed necessary to assure all property owners fair access to basic property insurance through the normal insurance markets, including rules and regulations concerning—

(1) the manner and scope of inspections of risk by an inspection bureau;

(2) the preparation and filing of inspection reports and reports on actions taken in connection with inspected risks, and summaries thereof;

(3) the operation of the Facility, including rules and regulations concerning—

(A) the basic property insurance coverages to be provided through the Facility;

(B) the reasonable effort to obtain insurance in the normal commercial market required of an applicant before recourse to the Facility; and

(C) the appeals procedure within the Facility for any applicant for insurance regarding any ruling, action, or decision by or on behalf of the Facility.

(b) The Commissioner may adopt such of the rules and regulations submitted pursuant to subsection (a) of this section as he approves. If the Commissioner disapproves any proposed rule or regulation submitted, he shall state the reasons for so doing, and he shall require the Facility to submit a revision thereof within such time as he may designate, but no less than ten days. During such designated time, the Commissioner and the Facility shall consult regarding any such disapproved rule or regulation. If the Facility fails to submit a proposed rule or regulation, or revision thereof, within the designated time, or if a revised rule or regulation is unacceptable to the Commissioner, the Commissioner may make such rules and regulations covering the proposed general subject matter as he shall deem necessary to carry out the purposes of this title. Any rule or regulation adopted or made under this section shall be consistent with the requirements of part A of title XII of the National Housing Act.

JOINT UNDERWRITING ASSOCIATION

SEC. 1206. (a) The Commissioner is authorized to establish by order a joint underwriting association if he finds, after notice and hearing, that such association is necessary to carry out the purposes of this title. Such joint underwriting association shall consist of all insurers licensed to write and engaged in writing in the District of Columbia, on a direct basis, such basic property insurance as may be designated by the Commissioner or any component thereof in multiperil policies.

(b) Every such insurer shall be and remain a member of the association and shall comply with all requirements of membership as a condition of its authority to transact such kinds of insurance in the District of Columbia, except that in lieu of revoking or suspending the certificate of authority of any company for any failure to comply with any

of the requirements of membership, the Commissioner may subject such company to a penalty of not more than $200 for each such failure to so comply when in his judgment he finds that the public interest would be best served by the continued operation of the company in the District of Columbia.

(c)(1) Within sixty days following the effective date of the order of the Commissioner under this section the association shall submit to him a proposed plan of operation, consistent with the provisions of this title, which shall provide for economical, fair, and nondiscriminatory administration of the association and for the prompt and efficient provision of reinsurance, without regard to environmental hazards, for such basic property insurance as may be designated by the Commissioner. The plan of operation shall include provisions for—

(A) preliminary assessment of all members for initial expenses necessary to commence operations;

(B) establishment of necessary facilities;

(C) management and operation of the association;

(D) assessment of members to defray losses and expenses;

(E) commission arrangements;

(F) reasonable underwriting standards;

(G) assumption and cession of reinsurance; and

(H) such other matters as the Commissioner may designate.

(2) The plan of operation shall not take effect until approved by the Commissioner. If the Commissioner disapproves the proposed plan of operation (or any part thereof), he shall state the reasons for so doing, and the association shall within thirty days thereafter submit for his review an appropriately revised plan of operation. During such time, the Commissioner and the association shall consult regarding the disapproved plan or part thereof. If the association fails to submit a revised plan of operation, or if the revised plan so submitted is unacceptable to the Commissioner, the Commissioner shall promulgate a plan of operation.

(3) The association may, on its own initiative, amend such plan, subject to approval by the Commissioner, and shall amend such plan at the direction of the Commissioner if he finds such action is necessary to carry out the purposes of this title.

(d) All members of the association shall participate in its writings, expenses, profits, and losses, or in such categories thereof as may be separately established by the association, subject to approval by the Commissioner, in the proportion that the premiums written by each such member during the preceding calendar year bear to the aggregate premiums written in the District of Columbia by all members of the association, or in accordance with such other formula as the association may devise with the approval of the Commissioner. Such participation by each insurer in the association shall be determined annually on the basis of such premiums written during the preceding calendar year as disclosed in the annual statements and other reports filed by the insurer with the Commissioner.

(e) The association shall be governed by a board of eleven directors, elected annually by cumulative voting by the members of the association, whose votes in such election shall be weighted in accordance with the proportionate amount of each member's net direct premiums written in the District of Columbia during the preceding calendar year. The first board shall be elected at a meeting of the members or their authorized representatives, which shall be held within thirty days after the effective date of the order under this section establishing the association, at a time and place designated by the Commissioner.

EXAMINATION BY COMMISSIONER

SEC. 1207. The operation of any inspection bureau, the Industry Placement Facility, and the joint underwriting association shall at all times be subject to the supervision and regulation of the Commissioner. The Commissioner shall have the power of visitation of and examination into such operations and free access to all the books, records, files, papers, and documents that relate to such operations, may summon and qualify witnesses under oath, and may examine directors, officers, agents, employees, or any other person having knowledge of such operations.

WAIVER OF LIABILITY

SEC. 1208. There shall be no liability on the part of, and no cause of action of any nature shall arise against, insurers, any inspection bureau, the Industry Placement Facility, the joint underwriting association, the agents or employees of such bureau, Facility, or association, or any officer or employee of the District of Columbia, for any statements made in good faith by them concerning the insurability of property (A) in any reports or other communications, (B) at the time of the hearings conducted in connection therewith, or (C) in the findings with respect thereto required by the provisions of this title. The reports and communications of any inspection bureau, the Industry Placement Facility, and the joint underwriting association with respect to individual properties shall not be open to inspection by, or otherwise available to, the public.

ANNUAL REPORTS BY JOINT UNDERWRITING ASSOCIATION

SEC. 1209. The joint underwriting association shall file with the Commissioner, annually on or before the 1st day or March, a statement which shall contain information with respect to its transactions, condition, operations, and affairs during the preceding year. Such statement shall contain such matters and information as are prescribed by the Commissioner and shall be in such form as is approved by him. The Commissioner may at any time require the association to furnish him with additional information with respect to its transactions, condition, or any matter connected therewith which he considers to be material and which will assist him in evaluating the scope, operation, and experience of the association.

APPEALS

SEC. 1210. (a) Any applicant for insurance and any affected insurer may appeal to the Commissioner within ninety days after any final ruling, action, or decision by or on behalf of any inspection bureau, the Industry Placement Facility, or the joint underwriting association, following exhaustion of remedies available within such bureaus, Facility, or association.

(b) All final orders or decisions of the Commissioner made under this title shall be subject to review by the District of Columbia Court of Appeals under section 11–742 of the District of Columbia Code.

REIMBURSEMENT FOR REINSURANCE PROVIDED UNDER NATIONAL INSURANCE DEVELOPMENT PROGRAM

SEC. 1211. (a) In order to carry out the purposes of this title and to make available to insurers who participate hereunder the reinsurance afforded under part B of title XII of the National Housing Act against losses to property resulting from riots or civil disorders, the Commissioner is authorized to assess each insurance company authorized to do business in the District of Columbia an amount, in the proportion that the premiums earned by each such company in the District of Columbia, on lines reinsured in the District of Columbia by the Secretary of Housing and Urban Development, during the preceding calendar year bear to the aggregate premiums earned on those lines in the District of Columbia by all insurance companies, sufficient to provide a fund to reimburse the Secretary of Housing and Urban Development in the manner set forth in section 1223(a)(1) of such part B. Such fund may be added to or such fund may be created by moneys appropriated therefor by the Congress.

(b) Insurers shall add to the premium rate an amount, to be approved by the Commissioner, sufficient to recover, within not more than three years, any amounts assessed under subsection (a) of this section during the preceding calendar year. Such amount shall be a separate charge to the insured in addition to the premium to be paid and shall be reflected as such in the policy of insurance. No commission shall be paid thereon to any agent or broker producing or selling the policy of insurance wherein such amount is added:

DELEGATION

SEC. 1212. The Commissioner is authorized to delegate any of the functions vested in him by this title.

JUDICIAL REVIEW

SEC. 1213. Section 11–742(a) of the District of Columbia Code is amended (1) by striking out "and" immediately following paragraph (10); (2) by striking out the period following paragraph (11) and inserting in lieu thereof "; and"; and (3) by adding at the end thereof the following new paragraph:

"(12) final orders and decisions of the Commissioner of the District of Columbia under the provisions of the District of Columbia Insurance Placement Act."

TITLE XIII—NATIONAL FLOOD INSURANCE

SHORT TITLE

SEC. 1301. This title may be cited as the "National Flood Insurance Act of 1968".

FINDINGS AND DECLARATION OF PURPOSE

SEC. 1302. (a) The Congress finds that (1) from time to time flood disasters have created personal hardships and economic distress which have required unforeseen disaster relief measures and have placed an increasing burden on the Nation's resources; (2) despite the installation of preventive and protective works and the adoption of other public programs designed to reduce losses caused by flood damage, these methods have not been sufficient to protect adequately against growing exposure to future flood losses; (3) as a matter of national policy, a reasonable method of sharing the risk of flood losses is through a program of flood insurance which can complement and encourage preventive and protective measures; and (4) if such a program is initiated and carried out gradually, it can be expanded as knowledge is gained and experience is appraised, thus eventually making flood insurance coverage available on reasonable terms and conditions to persons who have need for such protection.

(b) The Congress also finds that (1) many factors have made it uneconomic for the private insurance industry alone to make flood insurance available to those in need of such protection on reasonable terms and conditions; but (2) a program of flood insurance with large-scale participation of the Federal Government and carried out to the maximum extent practicable by the private insurance industry is feasible and can be initiated.

(c) The Congress further finds that (1) a program of flood insurance can promote the public interest by providing appropriate protection against the perils of flood losses and encouraging sound land use by minimizing exposure of property to flood losses; and (2) the objectives of a flood insurance program should be integrally related to a unified na-

tional program for flood plain management and, to this end, it is the sense of Congress that within two years following the effective date of this title the President should transmit to the Congress for its consideration any further proposals necessary for such a unified program, including proposals for the allocation of costs among beneficiaries of flood protection.

(d) It is therefore the purpose of this title to (1) authorize a flood insurance program by means of which flood insurance, over a period of time, can be made available on a nationwide basis through the cooperative efforts of the Federal Government and the private insurance industry, and (2) provide flexibility in the program so that such flood insurance may be based on workable methods of pooling risks, minimizing costs, and distributing burdens equitably among those who will be protected by flood insurance and the general public.

(e) It is the further purpose of this title to (1) encourage State and local governments to make appropriate land use adjustments to constrict the development of land which is exposed to flood damage and minimize damage caused by flood losses, (2) guide the development of proposed future construction, where practicable, away from locations which are threatened by flood hazards, (3) encourage lending and credit institutions, as a matter of national policy, to assist in furthering the objectives of the flood insurance program, (4) assure that any Federal assistance provided under the program will be related closely to all flood-related programs and activities of the Federal Government, and (5) authorize continuing studies of flood hazards in order to provide for a constant reappraisal of the flood insurance program and its effect on land use requirements.

AMENDMENTS TO THE FEDERAL FLOOD INSURANCE ACT OF 1956

SEC. 1303. (a) The second sentence of section 15(e) of the Federal Flood Insurance Act of 1956 (79 Stat. 1078) is amended—

(1) by striking out "rate" the second time it appears in such sentence, and inserting in lieu thereof "market yield", and

(2) by striking out "as of the last day of", and inserting in lieu thereof "during".

(b) Section 15(e) of such Act is further amended by striking out the last sentence thereof.

(c) Sections 2 through 14, subsections (a) through (d), and (f) and (g) of section 15, and sections 16 through 23 of such Act are hereby repealed.

CHAPTER I—THE NATIONAL FLOOD INSURANCE PROGRAM

BASIC AUTHORITY

SEC. 1304. (a) To carry out the purposes of this title, the Secretary of Housing and Urban Development is authorized to establish and carry out a national flood insurance program which will enable interested persons to purchase insurance against loss resulting from physical damage to or loss of real property or personal property related thereto arising from any flood occurring in the United States.

(b) In carrying out the flood insurance program the Secretary shall, to the maximum extent practicable, encourage and arrange for—

(1) appropriate financial participation and risk sharing in the program by insurance companies and other insurers, and

(2) other appropriate participation, on other than a risk-sharing basis, by insurance companies and other insurers, insurance agents and brokers, and insurance adjustment organizations, in accordance with the provisions of chapter II.

SCOPE OF PROGRAM AND PRIORITIES

SEC. 1305. (a) In carrying out the flood insurance program the Secretary shall afford a priority to making flood insurance available to cover residential properties which are designed for the occupancy of from one to four families and business properties which are owned or leased and operated by small business concerns.

(b) If on the basis of—

(1) studies and investigations undertaken and carried out and information received or exchanged under section 1307, and

(2) such other information as may be necessary,

the Secretary determines that it would be feasible to extend the flood insurance program to cover other properties, he may take such action under this title as from time to time may be necessary in order to make flood insurance available to cover, on such basis as may be feasible, any types and classes of—

(A) other residential properties,

(B) other busines propertes,

(C) agricultural properties,

(D) properties occupied by private nonprofit organizations, and

(E) properties owned by State and local governments and agencies thereof;

and any such extensions of the program to any types and classes of these properties shall from time to time be prescribed in regulations.

(c) The Secretary shall make flood insurance available in only those States or areas (or subdvisions thereof) which he has determined have—

(1) evidenced a positive interest in securing flood insurance coverage under the flood insurance program, and

(2) given satisfactory assurance that by June 30, 1970, permanent land use and control measures will have been adopted for the State or area (or subdivision) which are consistent with the comprehensve criteria for land management and use developed under section 1361, and that the application and enforcement of such measures will commence as soon as technical information on floodways and on controlling flood elevations is available.

NATURE AND LIMITATIONS OF INSURANCE COVERAGE

SEC. 1306. (a) The Secretary shall from time to time, after consultation with the advisory committee authorized under section 1318, appropriate representatives of the pool formed or otherwise created under section 1331, and appropriate representatives of the insurance authorities of the respective States, provide by regulation for general terms and conditions of insurability which shall be applicable to properties eligible for flood insurance coverage under section 1305, including—

(1) the types, classes, and locations of any such properties which shall be eligible for flood insurance;

(2) the nature and limits of loss or damage in any areas (or subdivisions thereof) which may be covered by such insurance;

(3) the classification, limitation, and rejection of any risks which may be advisable;

(4) appropriate minimum premiums;

(5) appropriate loss-deductibles; and

(6) any other terms and conditions relating to insurance coverage or exclusion which may be necessary to carry out the purposes of this title.

(b) In addition to any other terms and conditions under subsection (a), such regulations shall provide that—

(1) any flood insurance coverage based on chargeable premium rates under section 1308 which are less than the estimated premium rates under section 1307(a)(1) shall not exceed—

(A) in the case of residential properties which are designed for the occupancy of from one to four families—

(i) $17,500 aggregate liability for any dwelling unit, and $30,000 for any single dwelling structure containing more than one dwelling unit, and

(ii) $5,000 aggregate liability per dwelling unit for any contents related to such unit;

(B) in the case of business properties which are owned or leased and operated by small business concerns, an aggregate liability with respect to any single structure, including any contents thereof related to premises of small business occupants (as that term is defined by the Secretary), which shall be equal to (i) $30,000 plus (ii) $5,000 multiplied by the number of such occupants and shall be allocated among such occupants (or among the occupant or occupants and the owner) under regulations prescribed by the Secretary; except that the aggregate liability for the structure itself may in no case exceed $30,000; and

(C) in the case of any other properties which may become eligible for flood insurance coverage under section 1305—

(i) $30,000 aggregate liability for any single structure, and

(ii) $5,000 aggregate liability per dwelling unit for any contents related to such unit in the case of residential properties, or per occupant (as that term is defined by the Secretary) for any contents related to the premises occupied in the case of any other properties; and

(2) any flood insurance coverage which may be made available in excess of any of the limits specified in subparagraph (A), (B), or (C) of paragraph (1) (or allocated to any person under subparagraph (B) of such paragraph) shall be based only on chargeable premium rates under section 1308 which are not less than the estimated premium rates under section 1307(a)(1), and the amount of such excess coverage shall not in any case exceed an amount which is equal to the applicable limit so specified (or allocated).

ESTIMATES OF PREMIUM RATES

SEC. 1307. (a) The Secretary is authorized to undertake and carry out such studies and investigations and receive or exchange such information as may be necessary to estimate, and shall from time to time estimate, on an area, subdivision, or other appropriate basis—

(1) the risk premium rates for flood insurance which—

(A) based on consideration of the risk involved and accepted actuarial principles, and

(B) including—

(i) the applicable operating costs and allowances set forth in the schedules prescribed under section 1311 and reflected in such rates, and

(ii) any administrative expenses (or portion of such expenses) of carrying out the flood insurance program which, in his discretion, should properly be reflected in such rates,

would be required in order to make such insurance available on an actuarial basis for any types and classes of properties for which insurance coverage is available under section 1305(a) (or is recommended to the Congress under section 1305(b));

(2) the rates, if less than the rates estimated under paragraph (1), which would be reasonable, would encourage prospective insureds to purchase flood insurance, and would be consistent with the purposes of this title; and

(3) the extent, if any, to which federally assisted or other flood protection measures initiated after the date of the enactment of this title affect such rates.

(b) In carrying out subsection (a), the Secretary shall, to the maximum extent feasible and on a reimbursement basis, utilize the services of the Department of the Army, the Department of the Interior, the Department of Agriculture, the Department of Commerce, and the Tennessee Valley Authority, and, as appropriate, other Federal departments or agencies, and for such purposes may enter into agreements or other appropriate arrangments with any persons.

(c) The Secretary shall give priority to conducting studies and investigations and

making estimates under this section in those States or areas (or subdivisions thereof) which he has determined have evidenced a positive interest in securing flood insurance coverage under the flood insurance program.

ESTABLISHMENT OF CHARGEABLE PREMIUM RATES

SEC. 1308. (a) On the basis of estimates made under section 1307 and such other information as may be necessary, the Secretary shall from time to time, after consultation with the advisory committee authorized under section 1318, appropriate representatives of the pool formed or otherwise created under section 1331, and appropriate representatives of the insurance authorities of the respective States, prescribed by regulation—

(1) chargeable premium rates for any types and classes of properties for which insurance coverage shall be available under section 1305 (at less than the estimated risk premium rates under section 1307(a)(1), where necessary), and

(2) the terms and conditions under which, and the areas (including subdivisions thereof) within which, such rates shall apply.

(b) Such rates shall, insofar as practicable, be—

(1) based on a consideration of the respective risks involved, including differences in risks due to land use measures, floodproofing, flood forecasting, and similar measures,

(2) adequate, on the basis of accepted actuarial principles, to provide reserves for anticipated losses, or, if less than such amount, consistent with the objective of making flood insurance available where necessary at reasonable rates so as to encourage prospective insureds to purchase such insurance and with the purposes of this title, and

(3) stated so as to reflect the basis for such rates, including the differences (if any) between the estimated risk premium rates under section 1307(a)(1) and the estimated rates under section 1307(a)(2).

(c) Notwithstanding any other provision of this title, the chargeable rate with respect to any property, the construction or substantial improvement of which the Secretary determines has been started after the identification of the area in which such property is located has been published under paragraph (1) of section 1360, shall not be less than the applicable estimated risk premium rate for such area (or subdivision thereof) under section 1307(a)(1).

(d) In the event any chargeable premium rate prescribed under this section—

(1) is a rate which is not less than the applicable estimated risk premium rate under section 1307(a)(1), and

(2) includes any amount for administrative expenses of carrying out the flood insurance program which have been estimated under clause (ii) of section 1307(a)(1)(B),

a sum equal to such amount shall be paid to the Secretary, and he shall deposit such sum in the National Flood Insurance Fund established under section 1310.

FINANCING

SEC. 1309. (a) All authority which was vested in the Housing and Home Finance Administrator by virtue of section 15(e) of the Federal Flood Insurance Act of 1956 (70 Stat. 1084) (pertaining to the issue of notes or other obligations to the Secretary of the Treasury), as amended by subsections (a) and (b) of section 1303 of this Act, shall be available to the Secretary for the purpose of carrying out the flood insurance program under this title; except that the total amount of notes and obligations which may be issued by the Secretary pursuant to such authority shall not exceed $250,000,000, and all authority of the Secretary to issue notes and obligations under said section 15(e) beyond such sum is hereby rescinded.

(b) Any funds borrowed by the Secretary under this authority shall, from time to time, be deposited in the National Flood Insurance Fund established under section 1310.

NATIONAL FLOOD INSURANCE FUND

SEC. 1310. (a) To carry out the flood insurance program authorized by this title, the Secretary is authorized to establish in the Treasury of the United States a National Flood Insurance Fund (hereinafter referred to as the "fund") which shall be available, without fiscal year limitation—

(1) for making such payments as may, from time to time, be required under section 1334;

(2) to pay reinsurance claims under the excess loss reinsurance coverage provided under section 1335;

(3) to repay to the Secretary of the Treasury such sums as may be borrowed from him (together with interest) in accordance with the authority provided in section 1309; and

(4) to pay such administrative expenses (or portion of such expenses) of carrying out the flood insurance program as he may deem necessary; and

(5) for the purposes specified in subsection (d) under the conditions provided therein.

(b) The fund shall be credited with—

(1) such funds borrowed in accordance with the authority provided in section 1309 as may from time to time be deposited in the fund;

(2) premiums, fees, or other charges which may be paid or collected in connection with the excess loss reinsurance coverage provided under section 1335;

(3) such amounts as may be advanced to the fund from appropriations in order to maintain the fund in an operative condition adequate to meet its liabilities;

(4) interest which may be earned on investments of the fund pursuant to subsection (c);

(5) such sums as are required to be paid to the Secretary under section 1308(d); and

(6) receipts from any other operations under this title (including premiums under the conditions specified in subsection (d), and salvage proceeds, if any, resulting from reinsurance coverage).

(c) If, after—

(1) all outstanding obligations of the fund have been liquidated, and

(2) any outstanding amounts which may have been advanced to the fund from appropriations authorized under section 1376(a)(2)(B) have been credited to the appropriation from which advanced, with interest accrued at the rate prescribed under section 15(e) of the Federal Flood Insurance Act of 1956, as in effect immediately prior to the enactment of this title,

the Secretary determines that the moneys of the fund are in excess of current needs, he may request the investment of such amounts as he deems advisable by the Secretary of the Treasury in obligations issued or guaranteed by the United States.

(d) In the event the Secretary makes a determination in accordance with the provisions of section 1340 that operation of the flood insurance program, in whole or in part, should be carried out through the facilities of the Federal Government, the fund shall be available for all purposes incident thereto, including—

(1) cost incurred in the adjustment and payment of any claims for losses, and

(2) payment of applicable operating costs set forth in the schedules prescribed under section 1311.

for so long as the program is so carried out, and in such event any premiums paid shall be deposited by the Secretary to the credit of the fund.

(e) An annual business-type budget for the fund shall be prepared, transmitted to the Congress, considered, and enacted in the manner prescribed by law (sections 102, 103, and 104 of the Government Corporation Control Act (31 U.S.C. 847–849)) for wholly-owned Government corporations.

OPERATING COSTS AND ALLOWANCES

SEC. 1311. (a) The Secretary shall from time to time negotiate with appropriate representatives of the insurance industry for the purpose of establishing—

(1) a current schedule of operating costs applicable both to risk-sharing insurance companies and other insurers and to insurance companies and other insurers, insurance agents and brokers, and insurance adjustment organizations participating on other than a risk-sharing basis, and

(2) a current schedule of operating allowances applicable to risk-sharing insurance companies and other insurers,

which may be payable in accordance with the provisions of chapter II, and such schedules shall from time to time be prescribed in regulations.

(b) For purposes of subsection (a)—

(1) the term "operating costs" shall (without limiting such term) include—

(A) expense reimbursements covering the direct, actual, and necessary expenses incurred in connection with selling and servicing flood insurance coverage;

(B) reasonable compensation payable for selling and servicing flood insurance coverage, or commissions or service fees paid to producers;

(C) loss adjustment expenses; and

(D) other direct, actual, and necessary expenses which the Secretary finds are incurred in connection with selling or servicing flood insurance coverage; and

(2) the term "operating allowances" shall (without limiting such term) include amounts for profit and contingencies which the Secretary finds reasonable and necessary to carry out the purposes of this title.

PAYMENT OF CLAIMS

SEC. 1312. The Secretary is authorized to prescribe regulations establishing the general method or methods by which proved and approved claims for losses may be adjusted and paid for any damage to or loss of property which is covered by flood insurance made available under the provisions of this title.

DISSEMINATION OF FLOOD INSURANCE INFORMATION

SEC. 1313. The Secretary shall from time to time take such action as may be necessary in order to make information and data available to the public, and to any State or local agency or official, with regard to—

(1) the flood insurance program, its coverage and objectives, and

(2) estimated and chargeable flood insurance premium rates, including the basis for and differences between such rates in accordance with the provisions of section 1308.

PROHIBITION AGAINST CERTAIN DUPLICATIONS OF BENEFITS

SEC. 1314. (a) Notwithstanding the provisions of any other law, no Federal disaster assistance shall be made available to any person—

(1) for the physical loss, destruction, or damage of real or personal property, to the extent that such loss, destruction, or damage is covered by a valid claim which may be adjusted and paid under flood insurance made available under the authority of this title, or

(2) except in the situation provided for under subsection (b), for the physical loss, destruction, or damage of real or personal property, to the extent that such loss, destruction, or damage could have been covered by a valid claim under flood insurance which had been made available under the authority of this title, if—

(A) such loss, destruction, or damage oc-

curred subsequent to one year following the date flood insurance was made available in the area (or subsdivision thereof) in which such property or the major part thereof was located, and

(B) such property was eligible for flood insurance under this title at that date;

and in such circumstances the extent that such loss, destruction, or damage could have been covered shall be presumed (for purposes of this subsection) to be an amount not less than the maximum limit of insurable loss or damage applicable to such property in such area (or subdivision thereof), pursuant to regulations under section 1306, at the time insurance was made available in such area (or subdivision thereof).

(b) In order to assure that the provisions of subsection (a)(2) will not create undue hardship for low-income persons who might otherwise benefit from the provision of Federal disaster assistance, the Secretary shall provide by regulation for the circumstances in which the provisions of subsection (a)(2) shall not be applicable to any such persons.

(c) For purposes of this section, "Federal disaster assistance" shall include any Federal financial assistance which may be made available to any person as a result of—

(1) a major disaster (within the meaning of that term as determined by the President pursuant to the Act entitled "An Act to authorize Federal assistance to State and local governments in major disasters, and for other purposes", as amended (42 U.S.C. 1855–1855g)),

(2) a natural disaster, as determined by the Secretary of Agriculture pursuant to section 321 of the Consolidated Farmers Home Administration Act of 1961 (7 U.S.C. 1961), or

(3) a disaster with respect to which loans may be made under section 7(b) of the Small Business Act (15 U.S.C. 636(b)).

(d) For purposes of section 10 of the Disaster Relief Act of 1966 (80 Stat. 1230), the term "financial assistance" shall be deemed to include any flood insurance which is made available under this title.

STATE AND LOCAL LAND USE CONTROLS

SEC. 1315. After June 30, 1970, no new flood insurance coverage shall be provided under this title in any area (or subdivision thereof) unless an appropriate public body shall have adopted permanent land use and control measures (with effective enforcement provisions) which the Secretary finds are consistent with the comprehensive criteria for land management and use under section 1361.

PROPERTIES IN VIOLATION OF STATE AND LOCAL LAW

SEC. 1316. No new flood insurance coverage shall be provided under this title for any property which the Secretary finds has been declared by a duly constituted State or local zoning authority, or other authorized public body, to be in violation of State or local laws, regulations, or ordinances which are intended to discourage or otherwise restrict land development or occupancy in flood-prone areas.

COORDINATION WITH OTHER PROGRAMS

SEC. 1317. In carrying out this title, the Secretary shall consult with other departments and agencies of the Federal Government, and with interstate, State, and local agencies having responsibilities for flood control, flood forecasting, or flood damage prevention, in order to assure that the programs of such agencies and the flood insurance program authorized under this title are mutually consistent.

ADVISORY COMMITTEE

SEC. 1318. (a) The Secretary shall appoint a flood insurance advisory committee, without regard to the provisions of title 5, United States Code, governing appointments in the competitive service, and such committee shall advise the Secretary in the preparation of any regulations prescribed in accordance with this title and with respect to policy matters arising in the administration of this title, and shall perform such other responsibilities as the Secretary may, from time to time, assign to such committee.

(b) Such committee shall consist of not more than fifteen persons and such persons shall be selected from among representatives of—

(1) the insurance industry,
(2) State and local governments,
(3) lending institutions,
(4) the homebuilding industry, and
(5) the general public.

(c) Members of the committee shall, while attending conferences or meetings thereof, be entitled to receive compensation at a rate fixed by the Secretary but not exceeding $100 per day, including traveltime, and while so serving away from their homes or regular places of business they may be allowed travel expenses, including per diem in lieu of subsistence, as is authorized under section 5703 of title 5, United States Code, for persons in the government service employed intermittenly.

INITIAL PROGRAM LIMITATION

SEC. 1319. The face amount of flood insurance coverage outstanding and in force at any one time under this title shall not exceed the sum of $2,500,000,000.

REPORT TO THE PRESIDENT

SEC. 1320. The Secretary shall include a report of operations under this title in the annual report to the President for submission to the Congress required by section 8 of the Department of Housing and Urban Development Act.

CHAPTER II—ORGANIZATION AND ADMINISTRATION OF THE FLOOD INSURANCE PROGRAM

ORGANIZATION AND ADMINISTRATION

SEC. 1330. Following such consultation with representatives of the insurance industry as may be necessary, the Secretary shall implement the flood insurance program authorized under chapter I in accordance with the provisions of part A of this chapter and, if a determination is made by him under section 1340, under part B of this chapter.

PART A—INDUSTRY PROGRAM WITH FEDERAL FINANCIAL ASSISTANCE

INDUSTRY FLOOD INSURANCE POOL

SEC. 1331. (a) The Secretary is authorized to encourage and otherwise assist any insurance companies and other insurers which meet the requirements prescribed under subsection (b) to form, associate, or otherwise join together in a pool—

(1) in order to provide the flood insurance coverage authorized under chapter I; and

(2) for the purpose of assuming, on such terms and conditions as may be agreed upon, such financial responsibility as will enable such companies and other insurers, with the Federal financial and other assistance available under this title, to assume a reasonable proportion of responsibility for the adjustment and payment of claims for losses under the flood insurance program.

(b) In order to promote the effective administration of the flood insurance program under this part, and to assure that the objectives of this title are furthered, the Secretary is authorized to prescribe appropriate requirements for insurance companies and other insurers participating in such pool including, but not limited to, minimum requirements for capital or surplus or assets.

AGREEMENTS WITH FLOOD INSURANCE POOL

SEC. 1332. (a) The Secretary is authorized to enter into such agreements with the pool formed or otherwise created under this part as he deems necessary to carry out the purposes of this title.

(b) Such agreements shall specify—

(1) the terms and conditions under which risk capital will be available for the adjustment and payment of claims,

(2) the terms and conditions under which the pool (and the companies and other insurers participating therein) shall participate in premiums received and profits or losses realized or sustained,

(3) the maximum amount of profit, established by the Secretary and set forth in the schedules prescribed under section 1311, which may be realized by such pool (and the companies and other insurers participating therein),

(4) the terms and conditions under which operating costs and allowances set forth in the schedules prescribed under section 1311 may be paid, and

(5) the terms and conditions under which premium equalization payments under section 1334 will be made and reinsurance claims under section 1335 will be paid.

(c) In addition, such agreements shall contain such provisions as the Secretary finds necessary to assure that—

(1) no insurance company or other insurer which meets the requirements prescribed under section 1331(b), and which has indicated an intention to participate in the flood insurance program on a risk-sharing basis, will be excluded from participating in the pool,

(2) the insurance companies and other insurers participating in the pool will take whatever action may be necessary to provide continuity of flood insurance coverage by the pool, and

(3) any insurance companies and other insurers, insurance agents and brokers, and insurance adjustment organizations will be permitted to cooperate with the pool as fiscal agents or otherwise, on other than a risk-sharing basis, to the maximum extent practicable.

ADJUSTMENT AND PAYMENT OF CLAIMS AND JUDICIAL REVIEW

SEC. 1333. The insurance companies and other insurers which form, associate, or otherwise join together in the pool under this part may adjust and pay all claims for proved and approved losses covered by flood insurance in accordance with the provisions of this title and, upon the disallowance by any such company or other insurer of any such claim, or upon the refusal of the claimant to accept the amount allowed upon any such claim, the claimant, within one year after the date of mailing of notice of disallowance or partial disallowance of the claim, may institute an action on such claim against such company or other insurer in the United States district court for the district in which the insured property or the major part thereof shall have been situated, and jurisdiction is hereby conferred upon such court to hear and determine such action without regard to the amount in controversy.

PREMIUM EQUALIZATION PAYMENTS

SEC. 1334. (a) The Secretary, on such terms and conditions as he may from time to time prescribe, shall make periodic payments to the pool formed or otherwise created under section 1331, in recognition of such reductions in chargeable premium rates under section 1308 below estimated premium rates under section 1307(a)(1) as are required in order to make flood insurance available on reasonable terms and conditions

(b) Such payments shall be based only on the aggregate amount of flood insurance retained by the pool after ceding reinsurance in accordance wtih the provisions of section 1335, and shall not exceed an aggregate amount in any payment period equal to the sum of the following:

(1) an amount for losses which bears the same ratio to the amount of all proved and approved claims for losses under this title

during any designated period as the amount equal to the difference between—

(A) the sum of all premium payments for flood insurance coverage in force under this title during such designated period which would have been payable during such period if all such coverage were based on estimated risk premium rates under section 1307(a)(1) (excluding any administrative expenses which may be reflected in such rates, as specified in clause (ii) of section 1307(a)(1)(B)), and

(B) the sum of the premium payments actually paid or payable for such insurance under this title during such period, bears to the amount specified in clause (A); and

(2) subject to the terms and conditions specified in the agreements entered into with the pool under section 1332, a proportionate amount for appropriate operating costs and allowances (as set forth in the schedules prescribed under section 1311) during any designated period which bears the same ratio to the total amount of such operating costs and allowances during such period as the ratio specified in paragraph (1).

(c) Designated periods under this section and the methods for determining the sum of premiums paid or payable during such periods shall be established by the Secretary.

REINSURANCE COVERAGE

SEC. 1335. (a) The Secretary is authorized to take such action as may be necessary in order to make available, to the pool formed or otherwise created under section 1331, reinsurance for losses (due to claims for proved and approved losses covered by flood insurance) which are in excess of losses assumed by such pool in accordance with the excess loss agreement entered into under subsection (c).

(b) Such reinsurance shall be made available pursuant to contract, agreement, or any other arrangement, in consideration of such payment of a premium, fee, or other charge as the Secretary finds necessary to cover anticipated losses and other costs of providing such reinsurance.

(c) The Secretary is authorized to negotiate an excess loss agreement, from time to time, under which the amount of flood insurance retained by the pool, after ceding reinsurance, shall be adequate to further the purposes of this title, consistent with the objective of maintaining appropriate financial participation and risk sharing to the maximum extent practicable on the part of participating insurance companies and other insurers.

(d) All reinsurance claims for losses in excess of losses assumed by the pool shall be submitted on a portfolio basis by such pool in accordance with terms and conditions established by the Secretary.

PART B—GOVERNMENT PROGRAM WITH INDUSTRY ASSISTANCE

FEDERAL OPERATION OF THE PROGRAM

SEC. 1340. (a) If at any time, after consultation with representatives of the insurance industry, the Secretary determines that operation of the flood insurance program as provided under part A cannot be carried out, or that such operation, in itself, would be assisted materially by the Federal Government's assumption, in whole or in part, of the operational responsibility for flood insurance under this title (on a temporary or other basis) he shall promptly undertake any necessary arrangements to carry out the program of flood insurance authorized under chapter I through the facilities of the Federal Government, utilizing, for purposes of providing flood insurance coverage, either—

(1) insurance companies and other insurers, insurance agents and brokers, and insurance adjustment organizations, as fiscal agents of the United States.

(2) officers and employees of the Department of Housing and Urban Development, and such other officers and employees of any executive agency (as defined in section 105 of title 5 of the United States Code) as the Secretary and the head of any such agency may, from time to time, agree upon, on a reimbursement or other basis, or

(3) both the alternatives specified in paragraphs (1) and (2).

(b) Upon making the determination referred to in subsection (a), and at least thirty days prior to implementing the program of flood insurance authorized under chapter I through the facilities of the Federal Government, the Secretary shall make a report to the Congress and such report shall—

(1) state the reasons for such determination,

(2) be supported by pertinent findings,

(3) indicate the extent to which it is anticipated that the insurance industry will be utilized in providing flood insurance coverage under the program, and

(4) contain such recommendations as the Secretary deems advisable.

ADJUSTMENT AND PAYMENT OF CLAIMS AND JUDICIAL REVIEW

SEC. 1341. In the event the program is carried out as provided in section 1340, the Secretary shall be authorized to adjust and make payment of any claims for proved and approved losses covered by flood insurance, and upon the disallowance by the Secretary of any such claim, or upon the refusal of the claimant to accept the amount allowed upon any such claim, the claimant, within one year after the date of mailing of notice of disallowance or partial disallowance by the Secretary, may institute an action against the Secretary on such claim in the United States district court for the district in which the insured property or the major part thereof shall have been situated, and jurisdiction is hereby conferred upon such court to hear and determine such action without regard to the amount in controversy.

PART C—PROVISIONS OF GENERAL APPLICABILITY

SERVICES BY INSURANCE INDUSTRY

SEC. 1345. (a) In administering the flood insurance program under this chapter, the Secretary is authorized to enter into any contracts, agreements, or other appropriate arrangements which may, from time to time, be necessary for the purpose of utilizing, on such terms and conditions as may be agreed upon, the facilities and services of any insurance companies or other insurers, insurance agents and brokers, or insurance adjustment organizations; and such contracts, agreements or arrangements may include provision for payment of applicable operating costs and allowances for such facilities and services as set forth in the schedules prescribed under section 1311.

(b) Any such contracts, agreements, or other arrangements may be entered into without regard to the provisions of section 3709 of the Revised Statutes (41 U.S.C. 5) or any other provision of law requiring competitive bidding.

USE OF INSURANCE POOL, COMPANIES, OR OTHER PRIVATE ORGANIZATIONS FOR CERTAIN PAYMENTS

SEC. 1346. (a) In order to provide for maximum efficiency in the administration of the flood insurance program and in order to facilitate the expeditious payment of any Federal funds under such program, the Secretary may enter into contracts with pool formed or otherwise created under section 1331, or any insurance company or other private organization, for the purpose of securing performance by such pool, company, or organization of any or all of the following responsibilities:

(1) estimating and later determining any amounts of payments to be made;

(2) receiving from the Secretary, disbursing, and accounting for funds in making such payments;

(3) making such audits of the records of any insurance company or other insurer, insurance agent or broker, or insurance adjustment organization as may be necessary to assure that proper payments are made; and

(4) otherwise assisting in such manner as the contract may provide to further the purposes of this title.

(b) Any contract with the pool or an insurance company or other private organization under this section may contain such terms and conditions as the Secretary finds necessary or appropriate for carrying out responsibilities under subsection (a), and may provide for payment of any costs which the Secretary determines are incidental to carrying out such responsibilities which are covered by the contract.

(c) Any contract entered into under subsection (a) may be entered into without regard to section 3709 of the Revised Statutes (41 U.S.C. 5) or any other provision of law requiring competitive bidding.

(d) No contract may be entered into under this section unless the Secretary finds that the pool, company, or organization will perform its obligations under the contract efficiently and effectively, and will meet such requirements as to financial responsibility, legal authority, and other matters as he finds pertinent.

(e)(1) Any such contract may require the pool, company, or organization or any of its officers or employees certifying payments or disbursing funds pursuant to the contract, or otherwise participating in carrying out the contract, to give surety bond to the United States in such amount as the Secretary may deem appropriate.

(2) No individual designated pursuant to a contract under this section to certify payments shall, in the absence of gross negligence or intent to defraud the United States, be liable with respect to any payment certified by him under this section.

(3) No officer disbursing funds shall, in the absence of gross negligence or intent to defraud the United States, be liable with respect to any payment by him under this section if it was based upon a voucher signed by an individual designated to certify payments as provided in paragraph (2) of this subsection.

(f) Any contract entered into under this section shall be for a term of one year, and may be made automatically renewable from term to term in the absence of notice by either party of an intention to terminate at the end of the current term; except that the Secretary may terminate any such contract at any time (after reasonable notice to the pool, company, or organization involved) if he finds that the pool, company, or organization has failed substantially to carry out the contract, or is carrying out the contract in a manner inconsistent with the efficient and effective administration of the flood insurance program authorized under this title.

SETTLEMENT AND ARBITRATION

SEC. 1347. (a) The Secretary is authorized to make final settlement of any claims or demands which may arise as a result of any financial transactions which he is authorized to carry out under this chapter, and may, to assist him in making any such settlement, refer any disputes relating to such claims or demands to arbitration, with the consent of the parties concerned.

(b) Such arbitration shall be advisory in nature, and any award, decision, or recommendation which may be made shall become final only upon the approval of the Secretary.

RECORDS AND AUDITS

SEC. 1348. (a) The flood insurance pool formed or otherwise created under part A of this chapter, and any insurance company or other private organization executing any contract, agreement, or other appropriate

arrangement with the Secretary under part B of this chapter or this part, shall keep such records as the Secretary shall prescribe, including records which fully disclose the total costs of the program undertaken or the services being rendered, and such other records as will facilitate an effective audit.

(b) The Secretary and the Comptroller General of the United States, or any of their duly authorized representatives, shall have access for the purpose of audit and examination to any books, documents, papers, and records of the pool and any such insurance company or other private organization that are pertinent to the costs of the program undertaken or the services being rendered.

CHAPTER III—COORDINATION OF FLOOD INSURANCE WITH LAND-MANAGEMENT PROGRAMS IN FLOOD-PRONE AREAS

IDENTIFICATION OF FLOOD-PRONE AREAS

SEC. 1360. The Secretary is authorized to consult with, receive information from, and enter into any agreements or other arrangements with the Secretaries of the Army, the Interior, Agriculture, and Commerce, the Tennessee Valley Authority, and the heads of other Federal departments or agencies, on a reimbursement basis, or with the head of any State or local agency, or enter into contracts with any persons or private firms, in order that he may—

(1) identify and publish information with respect to all flood plain areas, including coastal areas located in the United States, which have special flood hazards, within five years following the date of the enactment of this Act, and

(2) establish flood-risk zones in all such areas, and make estimates with respect to the rates of probable flood-caused loss for the various flood-risk zones for each of these areas, within fifteen years following such date.

CRITERIA FOR LAND MANAGEMENT AND USE

SEC. 1361. (a) The Secretary is authorized to carry out studies and investigations, utilizing to the maximum extent practicable the existing facilities and services of other Federal departments or agencies, and State and local governmental agencies, and any other organizations, with respect to the adequacy of State and local measures in flood-prone areas as to land management and use, flood control, flood zoning, and flood damage prevention, and may enter into any contracts, agreements, or other appropriate arrangements, to carry out such authority.

(b) Such studies and investigations shall include, but not be limited to, laws, regulations, or ordinances relating to encroachments and obstructions on stream channels and floodways, the orderly development and use of flood plains of rivers or streams, floodway encroachment lines, and flood plain zoning, building codes, building permits, and subdivision or other building restrictions.

(c) On the basis of such studies and investigations, and such other information as he deems necessary, the Secretary shall from time to time develop comprehensive criteria designed to encourage, where necessary, the adoption of permanent State and local measures which, to the maximum extent feasible, will—

(1) constrict the development of land which is exposed to flood damage where appropriate,

(2) guide the development of proposed construction away from locations which are threatened by flood hazards,

(3) assist in reducing damage caused by floods, and

(4) otherwise improve the long-range land management and use of flood-prone areas,

and he shall work closely with and provide any necessary technical assistance to State, interstate, and local governmental agencies, to encourage the application of such criteria and the adoption and enforcement of such measures.

PURCHASE OF CERTAIN INSURED PROPERTIES

SEC. 1362. The Secretary may, when he determines that the public interest would be served thereby, enter into negotiations with any owner of real property or interest therein which—

(1) was located in any flood-risk area, as determined by the Secretary,

(2) was covered by flood insurance under the flood insurance program authorized under this title, and

(3) was damaged substantially beyond repair by flood while so covered,

and may purchase such property or interests therein, for subsequent transfer, by sale, lease, donation, or otherwise, to any State or local agency which enters into an agreement with the Secretary that such property shall, for a period not less than forty years following transfer, be used for only such purposes as the Secretary may, by regulation, determine to be consistent with sound land management and use in such area.

CHAPTER IV—APPROPRIATIONS AND MISCELLANEOUS PROVISIONS

DEFINITIONS

SEC. 1370. As used in this title—

(1) the term "flood" shall have such meaning as may be prescribed in regulations of the Secretary, and may include inundation from rising waters or from the overflow of streams, rivers, or other bodies of water, or from tidal surges, abnormally high tidal water, tidal waves, tsunamis, hurricanes, or other severe storms or deluge;

(2) the terms "United States" (when used in a geographic sense) and "State" includes the several States, the District of Columbia, the territories and possessions, the Commonwealth of Puerto Rico, and the Trust Territory of the Pacific Islands;

(3) the terms "insurance company", "other insurer", and "insurance agent or broker" include any organizations and persons authorized to engage in the insurance business under the laws of any State;

(4) the term "insurance adjustment organization" includes any organizations and persons engaged in the business of adjusting loss claims arising under insurance policies issued by any insurance company or other insurer;

(5) the term "person" includes any individual or group of individuals, corporation, partnership, association, or any other organized group of persons, including State and local governments and agencies thereof; and

(6) the term "Secretary" means the Secretary of Housing and Urban Development.

STUDIES OF OTHER NATURAL DISASTERS

SEC. 1371. (a) The Secretary is authorized to undertake such studies as may be necessary for the purpose of determining the extent to which insurance protection against earthquakes or any other natural disaster perils, other than flood, is not available from public or private sources, and the feasibility of such insurance protection being made available.

(b) Studies under this section shall be carried out, to the maximum extent practicable, with the cooperation of other Federal departments and agencies and State and local agencies, and the Secretary is authorized to consult with, receive information from, and enter into any necessary agreements or other arrangements with such other Federal departments and agencies (on a reimbursement basis) and such State and local agencies.

PAYMENTS

SEC. 1372. Any payments under this title may be made (after necessary adjustment on account of previously made underpayments or overpayments) in advance or by way of reimbursement, and in such installments and on such conditions, as the Secretary may determine.

GOVERNMENT CORPORATION CONTROL ACT

SEC. 1373. The provisions of the Government Corporation Control Act shall apply to the program authorized under this title to the same extent as they apply to wholly owned Government corporations.

FINALITY OF CERTAIN FINANCIAL TRANSACTIONS

SEC. 1374. Nothwithstanding the provisions of any other law—

(1) any financial transaction authorized to be carried out under this title, and

(2) any payment authorized to be made or to be received in connection with any such financial transaction,

shall be final and conclusive upon all officers of the Government.

ADMINISTRATIVE EXPENSES

SEC. 1375. Any administrative expenses which may be sustained by the Federal Government in carrying out the flood insurance program authorized under this title may be paid out of appropriated funds.

APPROPRIATIONS

SEC. 1376. (a) There are hereby authorized to be appropriated such sums as may from time to time be necessary to carry out this title, including sums—

(1) to cover administrative expenses authorized under section 1375;

(2) to reimburse the National Flood Insurance Fund established under section 1310 for—

(A) premium equalization payments under section 1334 which have been made from such fund; and

(B) reinsurance claims paid under the excess loss reinsurance coverage provided under section 1335; and

(3) to make such other payments as may be necessary to carry out the purposes of this title.

(b) All such funds shall be available without fiscal year limitation.

EFFECTIVE DATE

SEC. 1377. This title shall take effect one hundred and twenty days following the date of its enactment, except that the Secretary, on the basis of a finding that conditions exist necessitating the prescribing of an additional period, may prescribe a later effective date which in no event shall be more than one hundred and eighty days following such date of enactment.

TITLE XIV—INTERSTATE LAND SALES

SHORT TITLE

SEC. 1401. This title may be cited as the "Interstate Land Sales Full Disclosure Act".

DEFINITIONS

SEC. 1402. For the purposes of this title, the term—

(1) "Secretary" means the Secretary of Housing and Urban Development;

(2) "person" means an individual, or an unincorporated organization, partnership, association, corporation, trust, or estate;

(3) "subdivision" means any land which is divided or proposed to be divided into fifty or more lots, whether contiguous or not, for the purpose of sale or lease as part of a common promotional plan and where subdivided land is offered for sale or lease by a single developer, or a group of developers acting in concert, and such land is contiguous or is known, designated, or advertised as a common unit or by a common name such land shall be presumed, without regard to the number of lots covered by each individual offering, as being offered for sale or lease as part of a common promotional plan;

(4) "developer" means any person who, directly or indirectly, sells or leases, or offers to sell or lease, or advertises for sale or lease any lots in a subdivision;

(5) "agent" means any person who represents, or acts for or on behalf of, a developer in selling or leasing, or offering to sell or lease, any lot or lots in a subdivision; but

shall not include an attorney at law whose representation of another person consists solely of rendering legal services;

(6) "blanket encumbrance" means a trust deed, mortgage, judgment, or any other lien or encumbrance, including an option or contract to sell or a trust agreement, affecting a subdivision or affecting more than one lot offered within a subdivision, except that such term shall not include any lien or other encumbrance arising as the result of the imposition of any tax assessment by any public authority;

(7) "interstate commerce" means trade or commerce among the several States;

(8) "State" includes the several States, the District of Columbia, the Commonwealth of Puerto Rico, and the territories and possessions of the United States;

(9) "purchaser" means an actual or prospective purchaser or lessee of any lot in a subdivision;

(10) "offer" includes any inducement, solicitation, or attempt to encourage a person to acquire a lot in a subdivision.

EXEMPTIONS

SEC. 1403. (a) Unless the method of disposition is adopted for the purpose of evasion of this title, the provisions of this title shall not apply to—

(1) the sale or lease of real estate not pursuant to a common promotional plan to offer or sell fifty or more lots in a subdivision;

(2) the sale or lease of lots in a subdivision, all of which are five acres or more in size;

(3) the sale or lease of any improved land on which there is a residential, commercial, or industrial building, or to the sale or lease of land under a contract obligating the seller to erect such a building thereon within a period of two years;

(4) the sale or lease of real estate under or pursuant to court order;

(5) the sale of evidences of indebtedness secured by a mortgage or deed of trust on real estate;

(6) the sale of securities issued by a real estate investment trust;

(7) the sale or lease of real estate by any government or government agency;

(8) the sale or lease of cemetery lots;

(9) the sale or lease of lots to any person who acquires such lots for the purpose of engaging in the business of constructing residential, commercial, or industrial buildings or for the purpose of resale or lease of such lots to persons engaged in such business; or

(10) the sale or lease of real estate which is free and clear of all liens, encumbrances, and adverse claims if each and every purchaser or his or her spouse has personally inspected the lot which he purchased and if the developer executes a written affirmation to that effect to be made a matter of record in accordance with rules and regulations of the Secretary. As used in this subparagraph, the terms "liens," "encumbrances," and "adverse claims" are not intended to refer to property reservations which land developers commonly convey or dedicate to local bodies or public utilities for the purpose of bringing public services to the land being developed nor to taxes and assessments which, under applicable State or local law, constitute liens on the property before they are due and payable.

(b) The Secretary may from time to time, pursuant to rules and regulations issued by him, exempt from any of the provisions of this title any subdivision or any lots in a subdivision, if he finds that the enforcement of this title with respect to such subdivision or lots is not necessary in the public interest and for the protection of purchasers by reason of the small amount involved or the limited character of the public offering.

PROHIBITIONS RELATING TO THE SALE OR LEASE OF LOTS IN SUBDIVISIONS

SEC. 1404. (a) It shall be unlawful for any developer or agent, directly or indirectly, to make use of any means or instruments of transportation or communication in interstate commerce, or of the mails—

(1) to sell or lease any lot in any subdivision unless a statement of record with respect to such lot is in effect in accordance with section 1407 and a printed property report, meeting the requirements of section 1408, is furnished to the purchaser in advance of the signing of any contract or agreement for sale or lease by the purchaser; and

(2) in selling or leasing, or offering to sell or lease, any lot in a subdivision—

(A) to employ any device, scheme, or artifice to defraud, or

(B) to obtain money or property by means of a material misrepresentation with respect to any information included in the statement of record or the property report or with respect to any other information pertinent to the lot or the subdivision and upon which the purchaser relies, or

(C) to engage in any transaction, practice, or course of business which operates or would operate as a fraud or deceit upon a purchaser.

(b) Any contract or agreement for the purchase or leasing of a lot in a subdivision covered by this title, where the property report has not been given to the purchaser in advance or at the time of his signing, shall be voidable at the option of the purchaser. A purchaser may revoke such contract or agreement within forty-eight hours, where he has received the property report less than forty-eight hours before he signed the contract or agreement, and the contract or agreement shall so provide, except that the contract or agreement may stipulate that the foregoing revocation authority shall not apply in the case of a purchaser who (1) has received the property report and inspected the lot to be purchased or leased in advance of signing the contract or agreement, and (2) acknowledges by his signature, that he has made such inspection and has read and understood such report.

REGISTRATION OF SUBDIVISIONS

SEC. 1405. (a) A subdivision may be registered by filing with the Secretary a statement of record, meeting the requirements of this title and such rules and regulations as may be prescribed by the Secretary in furtherance of the provisions of this title. A statement of record shall be deemed effective only as to the lots specified therein.

(b) At the time of filing a statement of record, or any amendment thereto, the developer shall pay to the Secretary a fee, not in excess of $1,000, in accordance with a schedule to be fixed by the regulations of the Secretary, which fees may be used by the Secretary to cover all or part of the cost of rendering services under this title, and such expenses as are paid from such fees shall be considered non-administrative.

(c) The filing with the Secretary of a statement of record, or of an amendment thereto, shall be deemed to have taken place upon the receipt thereof, accompanied by payment of the fee required by subsection (b).

(d) The information contained in or filed with any statement of record shall be made available to the public under such regulations as the Secretary may prescribe and copies thereof shall be furnished to every applicant at such reasonable charge as the Secretary may prescribe.

INFORMATION REQUIRED IN STATEMENT OF RECORD

SEC. 1406. The statement of record shall contain the information and be accompanied by the documents specified hereinafter in this section—

(1) the name and address of each person having an interest in the lots in the subdivision to be covered by the statement of record and the extent of such interest;

(2) a legal description of, and a statement of the total area included in, the subdivision and a statement of the topography thereof, together with a map showing the division proposed and the dimensions of the lots to be covered by the statement of record and their relation to existing streets and roads;

(3) a statement of the condition of the title to the land comprising the subdivision, including all encumbrances and deed restrictions and covenants applicable thereto;

(4) a statement of the general terms and conditions, including the range of selling prices or rents at which it is proposed to dispose of the lots in the subdivision;

(5) a statement of the present condition of access to the subdivision, the availability of sewage disposal facilities and other public utilities (including water, electricity, gas, and telephone facilities) in the subdivision, the proximity in miles of the subdivision to nearby municipalities, and the nature of any improvements to be installed by the developer and his estimated schedule for completion;

(6) in the case of any subdivision of portion thereof against which there exists a blanket encumbrance, a statement of the consequences for an individual purchaser of a failure, by the person or persons bound, to fulfill obligations under the instrument or instruments creating such encumbrance and the steps, if any, taken to protect the purchaser in such eventuality;

(7) (A) copy of its articles of incorporation, with all amendments thereto, if the developer is a corporation; (B) copies of all instruments by which the trust is created or declared, if the developer is a trust; (C) copies of its articles of partnership or association and all other papers pertaining to its organization, if the developer is a partnership, unincorporated association, joint stock company, or any other form of organization; and (D) if the purported holder of legal title is a person other than developer, copies of the above documents for such person;

(8) copies of the deed or other instrument establishing title to the subdivision in the developer or other person and copies of any instrument creating a lien or encumbrance upon the title of developer or other person, or copies of the opinion or opinions of counsel in respect to the title to the subdivision in the developer or other person, or copies of the title insurance policy guaranteeing such title;

(9) copies of all forms of conveyance to be used in selling or leasing lots to purchasers;

(10) copies of instruments creating easements or other restrictions;

(11) such certified and uncertified financial statements of the developer as the Secretary may require; and

(12) such other information and such other documents and certifications as the Secretary may require as being reasonably necessary or appropriate for the protection of purchasers.

TAKING EFFECT OF STATEMENTS OF RECORD AND AMENDMENTS THERETO

SEC. 1407. (a) Except as hereinafter provided, the effective date of a statement of record, or any amendment thereto, shall be the thirtieth day after the filing thereof or such earlier date as the Secretary may determine, having due regard to the public interest and the protection of purchasers. If any amendment to any such statement is filed prior to the effective date of the statement, the statement shall be deemed to have

been filed when such amendment was filed; except that such an amendment filed with the consent of the Secretary, or filed pursuant to an order of the Secretary, shall be treated as being filed as of the date of the filing of the statement of record. When a developer records additional lands to be offered for disposition, he may consolidate the subsequent statement of record with any earlier recording offering subdivided land for disposition under the same promotional plan. At the time of consolidation the developer shall include in the consolidated statement of record any material changes in the information contained in the earlier statement.

(b) If it appears to the Secretary that a statement of record, or any amendment thereto, is on its face incomplete or inaccurate in any material respect, the Secretary shall so advise the developer within a reasonable time after the filing of the statement or the amendment, but prior to the date the statement or amendment would otherwise be effective. Such notification shall serve to suspend the effective date of the statement or the amendment until thirty days after the developer files such additional information as the Secretary shall require. Any developer, upon receipt of such notice, may request a hearing, and such hearing shall be held within twenty days of receipt of such request by the Secretary.

(c) If, at any time subsequent to the effective date of a statement of record, a change shall occur affecting any material fact required to be contained in the statement, the developer shall promptly file an amendment thereto. Upon receipt of any such amendment, the Secretary may, if he determines such action to be necessary or appropriate in the public interest or for the protection of purchasers, suspend the statement of record until the amendment becomes effective.

(d) If it appears to the Secretary at any time that a statement of record, which is in effect, includes any untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein not misleading, the Secretary may, after notice, and after opportunity for hearing (at a time fixed by the Secretary) within fifteen days after such notice, issue an order suspending the statement of record. When such statement has been amended in accordance with such order, the Secretary shall so declare and thereupon the order shall cease to be effective.

(e) The Secretary is hereby empowered to make an examination in any case, to determine whether an order should issue under subsection (d). In making such examination, the Secretary or anyone designated by him shall have access to and may demand the production of any books and papers of, and may administer oaths and affirmations to and examine, the developer, any agents, or any other person, in respect of any matter revelant to the examination. If the developer or any agents shall fail to cooperate, or shall obstruct or refuse to permit the making of an examination, such conduct shall be proper ground for the issuance of an order suspending the statement of record.

(f) Any notice required under this section shall be sent to or served on the developer or his authorized agent.

INFORMATION REQUIRED IN PROPERTY REPORT

SEC. 1408. (a) A property report relating to the lots in a subdivision shall contain such of the information contained in the statement of record, and any amendments thereto, as the Secretary may deem necessary, but need not include the documents referred to in paragraphs (7) to (11), inclusive, of section 1406. A property report shall also contain other information as the Secretary may by rules or regulations require as being necessary or appropriate in the public interest or for the protection of purchasers.

(b) The property report shall not be used for any promotional purposes before the statement of record becomes effective and then only if it is used in its entirety. No person may advertise or represent that the Secretary approves or recommends the subdivision or the sale or lease of lots therein. No portion of the property report shall be underscored, italicized, or printed in larger or bolder type than the balance of the statement unless the Secretary requires or permits it.

COOPERATION WITH STATE AUTHORITIES

SEC. 1409. (a) In administering this title, the Secretary shall cooperate with State authorities charged with the responsibility of regulating the sale of lots in subdivisions which are also subject to this title and may accept for filing under section 1405 and declare effective as a statement of record, if he finds such action to be appropriate in the public interest or for the protection of purchasers, material filed with and found acceptable by such authorities.

(b) Nothing in this title shall affect the jurisdiction of the real estate commission (or any agency or office performing like functions) of any State over any subdivision or any person.

CIVIL LIABILITIES

SEC. 1410. (a) Where any part of a statement of record, when such part became effective, contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein, any person acquiring a lot in the subdivision covered by such statement of record from the developer or his agent during such period the statement remained uncorrected (unless it is proved that at the time of such acquisition he knew of such untruth or omission) may, either at law or in equity, in any court of competent jurisdiction, sue the developer.

(b) Any developer or agent, who sells or leases a lot in a subdivision—

(1) in violation of section 1404, or

(2) by means of a property report which contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein, may be sued by the purchaser of such lot.

(c) The suit authorized under subsection (a) or (b) may be to recover such damages as shall represent the difference between the amount paid for the lot and the reasonable cost and any improvements thereto, and the lesser of (1) the value thereof as of the time such suit was brought, or (2) the price at which such lot shall have been disposed of in a bona fide market transaction before suit, or (3) the price at which such lot shall have been disposed of after suit in a bona fide market transaction but before judgment.

(d) Every person who becomes liable to make any payment under this section may recover contribution as in cases of contract from any person who, if sued separately, would have been liable to make the same payment.

(e) In no case shall the amount recoverable under this section exceed the sum of the purchase price of the lot, the reasonable cost of improvements, and reasonable court costs.

COURT REVIEW OF ORDERS

SEC. 1411. (a) Any person, aggrieved by an order or determination of the Secretary issued after a hearing, may obtain a review of such order or determination in the court of appeals of the United States, within any circuit wherein such person resides or has his principal place of business, or in the United States Court of Appeals for the District of Columbia, by filing in such court, within sixty days after the entry of such order or determination, a written petition praying that the order or determination of the Secretary be modified or be set aside in whole or in part. A copy of such petition shall be forthwith transmitted by the clerk of the court to the Secretary, and thereupon the Secretary shall file in the court the record upon which the order or determination complained of was entered, as provided in section 2112 of title 28, United States Code. No objection to an order or determination of the Secretary shall be considered by the court unless such objection shall have been urged before the Secretary. The finding of the Secretary as to the facts, if supported by substantial evidence, shall be conclusive. If either party shall apply to the court for leave to adduce additional evidence, and shall show to the satisfaction of the court that such additional evidence is material and that there were reasonable grounds for failure to adduce such evidence in the hearing before the Secretary, the court may order such additional evidence to be taken before the Secretary and to be adduced upon a hearing in such manner and upon such terms and conditions as to the court may seem proper. The Secretary may modify his findings as to the facts by reason of the additional evidence so taken, and shall file such modified or new findings, which, if supported by substantial evidence, shall be conclusive, and his recommendation, if any, for the modification or setting aside of the original order. Upon the filing of such petition, the jurisdiction of the court shall be exclusive and its judgment and decree, affirming, modifying, or setting aside, in whole or in part, any order of the Secretary, shall be final, subject to review by the Supreme Court of the United States upon certiorari or certification as provided in section 1254 of title 28, United States Code.

(b) The commencement of proceedings under subsection (a) shall not, unless specifically ordered by the court, operate as a stay of the Secretary's order.

LIMITATION OF ACTIONS

SEC. 1412. No action shall be maintained to enforce any liability created under section 1410 (a) or (b) (2) unless brought within one year after the discovery of the untrue statement or the omission, or after such discovery should have been made by the exercise of reasonable diligence, or, if the action is to enforce a liability created under section 1401(b) (1), unless brought within two years after the violation upon which it is based. In no event shall any such action be brought by a purchaser more than three years after the sale or lease to such purchaser.

CONTRARY STIPULATIONS VOID

SEC. 1413. Any condition, stipulation, or provision binding any person acquiring any lot in a subdivision to waive compliance with any provision of this title or of the rules and regulations of the Secretary shall be void.

ADDITIONAL REMEDIES

SEC. 1414. The rights and remedies provided by this title shall be in addition to any and all other rights and remedies that may exist at law or in equity.

INVESTIGATIONS, INJUNCTIONS, AND PROSECUTION OF OFFENSES

SEC. 1415. (a) Whenever it shall appear to the Secretary that any person is engaged or about to engage in any acts or practices which constitute or will constitute a violation of the provisions of this title, or of any rule or regulation prescribed pursuant thereto, he may, in his discretion, bring an action in any district court of the United States, or the United States District Court for the District of Columbia to enjoin such acts or practices, and, upon a proper showing, a permanent or temporary injunction or restraining order shall be granted without bond. The Secretary may transmit such evidence as may be available concerning such acts or practices to the Attorney General who may, in his discretion, institute the appropriate criminal proceedings under this title.

(b) The Secretary may, in his discretion, make such investigations as he deems neces-

sary to determine whether any person has violated or is about to violate any provision of this title or any rule or regulation prescribed pursuant thereto, and may require or permit any person to file with him a statement in writing, under oath or otherwise as the Secretary shall determine, as to all the facts and circumstances concerning the matter to be investigated. The Secretary is authorized, in his discretion, to publish information concerning any such violations, and to investigate any facts, conditions, practices, or matters which he may deem necessary or proper to aid in the enforcement of the provisions of this title, in the prescribing of rules and regulations thereunder, or in securing information to serve as a basis for recommending further legislation concerning the matters to which this title relates.

(c) For the purpose of any such investigation, or any other proceeding under this title, the Secretary, or any officer designated by him, is empowered to administer oaths and affirmations, subpena witnesses, compel their attendance, take evidence, and require the production of any books, papers, correspondence, memorandums, or other records which the Secretary deems relevant or material to the inquiry. Such attendance of witnesses and the production of any such records may be required from any place in the United States or any State at any designated place of hearing.

(d) In case of contumacy by, or refusal to obey a subpena issued to, any person, the Secretary may invoke the aid of any court of the United States within the jurisdiction of which such investigation or proceeding is carried on, or where such person resides or carries on business, in requiring the attendance and testimony of witnesses and the production of books, papers, correspondence, memorandums, and other records and documents. And such court may issue an order requiring such person to appear before the Secretary or any officer designated by the Secretary, there to produce records, if so ordered, or to give testimony touching the matter under investigation or in question; and any failure to obey such order of the court may be punished by such court as a contempt thereof. All process in any such case may be served in the judicial district whereof such person is an inhabitant or wherever he may be found.

(e) No person shall be excused from attending and testifying or from producing books, papers, correspondence, memorandums and other records and documents before the Secretary, or in obedience to the subpena of the Secretary or any officer designated by him, or in any cause or proceeding instituted by the Secretary, on the ground that the testimony or evidence, documentary or otherwise, required of him may tend to incriminate him or subject him to a penalty or forfeiture; but no individual shall be prosecuted or subject to any penalty or forfeiture for or on account of any transaction, matter, or thing concerning which he is compelled, after having claimed his privilege against self-incrimination, to testify or produce evidence, documentary or otherwise, except that such individual so testifying shall not be exempt from prosecution and punishment for perjury committed in so testifying.

ADMINISTRATION

SEC. 1416. (a) The authority and responsibility for administering this title shall be in the Secretary of Housing and Urban Development who may delegate any of his functions, duties, and powers to employees of the Department of Housing and Urban Development or to boards of such employees, including functions, duties, and powers with respect to investigating, hearing, determining, ordering, or otherwise acting as to any work, business, or matter under this title. The persons to whom such delegations are made with respect to hearing functions, duties, and powers shall be appointed and shall serve in the Department in compliance with sections 3105, 3344, 5362, and 7521 of title 5 of the United States Code. The Secretary shall by rule prescribe such rights of appeal from the decisions of his hearing examiners to other hearing examiners or to other officers in the Department, to boards of officers or to himself, as shall be appropriate and in accordance with law.

(b) All hearings shall be public and appropriate records thereof shall be kept, and any order issued after such hearing shall be based on the record made in such hearing which shall be conducted in accordance with the provisions of the Administrative Procedure Act.

UNLAWFUL REPRESENTATIONS

SEC. 1417. The fact that a statement of record with respect to a subdivision has been filed or is in effect shall not be deemed a finding by the Secretary that the statement of record is true and accurate on its face, or be held to mean the Secretary has in any way passed upon the merits of, or given approval to, such subdivision. It shall be unlawful to make, or cause to be made, to any prospective purchaser any representation contrary to the foregoing.

PENALTIES

SEC. 1418. Any person who willfully violates any of the provisions of this title or the rules and regulations prescribed pursuant thereto, or any person who willfully, in a statement of record filed under, or in a property report issued pursuant to, this title, makes any untrue statement of a material fact or omits to state any material fact required to be stated therein, shall upon conviction be fined not more than $5,000 or imprisoned not more than five years, or both.

RULES, REGULATIONS, AND ORDERS

SEC. 1419. The Secretary shall have authority from time to time to make, issue, amend, and rescind such rules and regulations and such orders as are necessary or appropriate to the exercise of the functions and powers conferred upon him elsewhere in this title. For the purpose of his rules and regulations, the Secretary may classify persons and matters within his jurisdiction and prescribe different requirements for different classes of persons or matters.

JURISDICTION OF OFFENSES AND SUITS

SEC. 1420. (a) The district courts of the United States, the United States courts of any territory, and the United States District Court for the District of Columbia shall have jurisdiction of offenses and violations under this title and under the rules and regulations prescribed by the Secretary pursuant thereto, and, concurrent with State courts, of all suits in equity and actions at law brought to enforce any liability or duty created by this title. Any such suit or action may be brought to enforce any liability or duty created by this title. Any such suit or action may be brought in the district wherein the defendant is found or is an inhabitant or transacts business, or in the district where the offer or sale took place, if the defendant participated therein, and process in such cases may be served in any other district of which the defendant is an inhabitant or wherever the defendant may be found. Judgments and decrees so rendered shall be subject to review as provided in sections 1254 and 1291 of title 28, United States Code. No case arising under this title and brought in any State court of competent jurisdiction shall be removed to any court of the United States, except where the United States or any officer or employee of the United States in his official capacity is a party. No costs shall be assessed for or against the Secretary in any proceeding under this title brought by or against him in the Supreme Court or such other courts.

APPROPRIATIONS

SEC. 1421. There are authorized to be appropriated such sums as may be necessary to carry out this title.

EFFECTIVE DATE

SEC. 1422. This title shall take effect upon the expiration of two hundred and seventy days after the date of its enactment.

TITLE XV—MORTGAGE INSURANCE FOR NONPROFIT HOSPITALS

AMENDMENT TO NATIONAL HOUSING ACT

SEC. 1501. Title II of the National Housing Act is amended by adding at the end thereof (after the new section added by section 307 of this Act) the following new section:

"MORTGAGE INSURANCE FOR NONPROFIT HOSPITALS

"SEC. 242. (a) The purpose of this section is to assist the provision of urgently needed hospitals for the care and treatment of persons who are acutely ill or who otherwise require medical care and related services of the kind customarily furnished only (or most effectively) by hospitals.

"(b) For the purposes of this section—

"(1) the term 'hospital' means a facility—

"(A) which provides community service for inpatient medical care of the sick or injured (including obstetrical care);

"(B) not more than 50 per centum of the total patient days of which during any year are customarily assignable to the categories of chronic convalescent and rest, drug and alcoholic, epileptic, mentally deficient, mental, nervous and mental, and tuberculosis; and

"(C) which is owned and operated by one or more nonprofit corporations or associations no part of the net earnings of which inures, or may lawfully inure, to the benefit of any private shareholder or individual; and

"(2) the terms 'mortgage' and 'mortgagor' shall have the meanings respectively set forth in section 207(a) of this Act.

"(c) The Secretary is authorized to insure any mortgage (including advances on such mortgage during construction) in accordance with the provisions of this section upon such terms and conditions as he may prescribe and to make commitments for insurance of such mortgage prior to the date of its execution or disbursement thereon.

"(d) In order to carry out the purpose of this section, the Secretary is authorized to insure any mortgage which covers a new or rehabilitated hospital, including equipment to be used in its operation, subject to the following conditions:

"(1) The mortgage shall be executed by a mortgagor approved by the Secretary. The Secretary may in his discretion require any such mortgagor to be regulated or restricted as to charges and methods of financing, and, in addition thereto, if the mortgagor is a corporate entity, as to capital structure and rate of return. As an aid to the regulation or restriction of any mortgagor with respect to any of the foregoing matters, the Secretary may make such contracts with and acquire for not to exceed $100 such stock or interest in such mortgagor as he may deem necessary. Any stock or interest so purchased shall be paid for out of the General Insurance Fund, and shall be redeemed by the mortgagor at par upon the termination of all obligations of the Secretary under the insurance.

"(2) The mortgage shall involve a principal obligation in an amount not to exceed $25,000,000, and not to exceed 90 per centum of the estimated replacement cost of the property or project, including equipment to be used in the operation of the hospital, when the proposed improvements are completed and the equipment is installed.

"(3) The mortgage shall—

"(A) provide for complete amortization by periodic payments within such term as the Secretary shall prescribe, and

"(B) bear interest (exclusive of premium charges for insurance and service charges, if any) at not to exceed such per centum per annum (not in excess of 6 per centum), on the amount of the principal obligation out-

standing at any time, as the Secretary finds necessary to meet the mortgage market.

"(4) The Secretary shall not insure any mortgage under this section unless he has received, from the State agency designated in accordance with section 604(a)(1) of the Public Health Service Act for the State in which is located the hospital covered by the mortgage, a certification that (A) there is a need for such hospital, and (B) there are in force in such State or the political subdivision of the State in which the proposed hospital would be located reasonable minimum standards of licensure and methods of operation for hospitals. No such mortgage shall be insured under this section unless the Secretary has received such assurance as he may deem satisfactory from the State agency that such standards will be applied and enforced with respect to any hospital located in the State for which mortgage insurance is provided under this section.

"(e) The Secretary may consent to the release of a part or parts of the mortgaged property or project from the lien of any mortgage insured under this section upon such terms and conditions as he may prescribe.

"(f) The activities and functions provided for in this section shall be carried out by the agencies involved so as to encourage programs that undertake responsibility to provide comprehensive health care, including outpatient and preventive care, as well as hospitalization, to a defined population.

"(g)(1) Notwithstanding any of the other provisions of this title, the Secretary may insure under this section a mortgage which provides permanent financing or refinancing of existing mortgage indebtedness in the case of a hospital whose permanent financing is presently lacking, if the construction of such hospital was completed between January 1, 1966, and the date of the enactment of this Act.

"(2) The aggregate principal balance of all mortgages insured under paragraph (1) and outstanding at any one time shall not exceed $20,000,000.

"(h) The provisions of subsections (d), (e), (g), (h), (i), (j), (k), (l), and (n) of section 207 shall apply to mortgages insured under this section and all references therein to section 207 shall be deemed to refer to this section."

LABOR STANDARDS

SEC. 1502. Section 212(a) of the National Housing Act is amended by inserting after the fifth sentence the following new sentence: "The provisions of this section shall also apply to the insurance of any mortgage under section 242, except that compliance with such provisions may be waived by the Secretary in cases or classes of cases where laborers or mechanics, not otherwise employed at any time on the project, voluntarily donate their services without compensation for the purpose of lowering the costs of construction and the Secretary determines that any amounts thereby saved are fully credited to the nonprofit corporation or association undertaking the construction; and each laborer or mechanic employed on any facility covered by a mortgage insured under section 242 shall receive compensation at a rate not less than one and one-half times his basic rate of pay for all hours worked in any workweek in excess of eight hours in any workday or forty hours in the workweek, as the case may be."

TITLE XVI—HOUSING GOALS AND ANNUAL HOUSING REPORT

REAFFIRMATION OF GOAL

SEC. 1601. The Congress finds that the supply of the Nation's housing is not increasing rapidly enough to meet the national housing goal, established in the Housing Act of 1949, of the "realization as soon as feasible of the goal of a decent home and a suitable living environment for every American family". The Congress reaffirms this national housing goal and determines that it can be substantially achieved within the next decade by the construction or rehabilitation of twenty-six million housing units, six million of these for low and moderate income families.

REPORT OUTLINING PLAN

SEC. 1602. Not later than January 15, 1969, the President shall make a report to the Congress setting forth a plan, to be carried out over a period of ten years (June 30, 1968, to June 30, 1978), for the elimination of all substandard housing and the realization of the goal referred to in section 1601. Such plan shall—

(1) indicate the number of new or rehabilitated housing units which it is anticipated will have to be provided, with or without Government assistance, during each fiscal year of the ten-year period, in order to achieve the objectives of the plan, showing the number of such units which it is anticipated will have to be provided under each of the various Federal programs designed to assist in the provision of housing;

(2) indicate the reduction in the number of occupied substandard housing units which it is anticipated will have to occur during each fiscal year of the ten-year period in order to achieve the objectives of the plan;

(3) provide an estimate of the cost of carrying out the plan for each of the various Federal programs and for each fiscal year during the ten-year period to the extent that such costs will be reflected in the Federal budget;

(4) make recommendations with respect to the legislative and administrative actions necessary or desirable to achieve the objectives of the plan; and

(5) provide such other pertinent data, estimates, and recommendations as the President deems advisable.

Such report shall, in addition, contain a projection of the residential mortgage market needs and prospects during the coming year, including an estimate of the requirements with respect to the availability, need, and flow of mortgage funds (particularly in declining urban and rural areas) during such year, together with such recommendations as may be deemed appropriate for encouraging the availability of such funds.

PERIODIC REPORTS

SEC. 1603. On January 15, 1970, and on each succeeding year through 1979, the President shall submit to the Congress a report which shall—

(1) compare the results achieved during the preceidng fiscal year for the completion of new or rehabilitated housing units and the reduction in occupied substandard housing with the objectives established for such year under the plan;

(2) if the comparison provided under clause (1) shows a failure to achieve the objectives set for such year, indicate (A) the reasons for such failure; (B) the steps being taken to achieve the objectives of the plan during each of the remaining fiscal years of the ten-year period; and (C) any necessary revision in the objectives established under the plan for each such year;

(3) project residential mortgage market needs and prospects for the coming calendar year including an estimate of the requirements with respect to the availability, need, and flow of mortgage funds (particularly in declining urban and rural areas) during such period, in order to achieve the objectives of the plan;

(4) provide an analysis of the monetary and fiscal policies of the Government for the coming calendar year required to achieve the objectives of the plan and the impact upon the domestic economy of achieving the plan's objectives for such period:

(5) make recommendations with respect to any additional legislative or administrative action which is necessary or desirable to achieve the objectives of the plan; and

(6) provide such other pertinent data, estimates, and recommendations as the President deems advisable.

COMMISSION ON MORTGAGE INTEREST RATES

SEC. 1604. Funds appropriated and available for studies of housing markets and credit as authorized by section 301 of the Housing Act of 1948 and section 602(a) of the Housing Act of 1956 shall be available for expenses of the Commission established by section 4(b) of Public Law 90-301, including the report required to be rendered by such Commission.

TITLE XVII—MISCELLANEOUS

MODEL CITIES

SEC. 1701. (a) Section 111(a) of the Demonstration Cities and Metropolitan Development Act of 1966 is amended—

(1) by striking out "and" the third time it appears; and

(2) by inserting before the period at the end thereof ", and not to exceed $12,000,000 for the fiscal year ending June 30, 1969".

(b) Section 111(b) of such Act is amended—

(1) by striking out "and" the third time it appears; and

(2) by inserting before the period at the end thereof ", and not to exceed $12,000,000 for the fiscal year ending June 30, 1969".

(c) Section 111(c) of such Act is amended to read as follows:

"(c) Any amounts appropriated under this section shall remain available until expended, and any amounts authorized for any fiscal year under this section but not appropriated may be appropriated for any succeeding fiscal year commencing prior to July 1, 1970."

URBAN RENEWAL DEMONSTRATION GRANT PROGRAM

SEC. 1702. (a) Section 314(a) of the Housing Act of 1954 is amended—

(1) by striking out in the first sentence "to public bodies, including cities and other political subdivision," and inserting in lieu thereof "to public bodies (including cities and other political subdivisions) and nonprofit organizations,";

(2) by inserting after the first sentence the following: "In the case of any such grant to a nonprofit organization, the Secretary shall require that the assisted activities and undertakings are not inconsistent with the program of the local public agency."; and

(3) by striking out in the second sentence "No such grant shall exceed two-thirds of the cost, as determined or estimated by said Secretary, of such activities or undertakings," and inserting in lieu thereof the following: "No such grant shall exceed 90 per centum of the cost, as determined or estimated by the Secretary, of the assisted activities or undertakings,".

(b) Section 314(c) of such Act is amended by striking out "$10,000,000" and inserting in lieu thereof "$20,000,000".

AUTHORIZATION FOR URBAN INFORMATION AND TECHNICAL ASSISTANCE SERVICES PROGRAM

SEC. 1703. (a) The first sentence of section 906 of the Demonstration Cities and Metropolitan Development Act of 1966 is amended by striking out "and not to exceed $5,000,000 for the fiscal year ending June 30, 1968" and inserting in lieu thereof "not to exceed $5,000,000 for each of the fiscal years 1968 and 1969, and not to exceed $15,000,000 for fiscal year 1970".

(b) The second sentence of section 906 of such Act is amended to read as follows: "Any amounts appropriated under this section shall remain available until expended, and any amounts authorized for any fiscal year under this section but not appropriated may be appropriated for any succeeding fiscal year commencing prior to July 1, 1970."

ADVANCES IN TECHNOLOGY IN HOUSING AND URBAN DEVELOPMENT

SEC. 1704. (a) Section 1010(d) of the Demonstration Cities and Metropolitan Development Act of 1966 is amended by inserting before the period at the end of the first sentence the following: ", and not to exceed such sums for subsequent fiscal years as may be necessary".

(b) Section 1010(c) of such Act is amended by striking out "two years" in the second sentence and inserting in lieu thereof "four years".

(c) Section 1010(a) of such Act is amended—

(1) by striking out "and" at the end of paragraph (1);

(2) by striking out the period at the end of paragraph (2) and inserting in lieu thereof "; and"; and

(3) by adding after paragraph (2) a new paragraph as follows:

"(3) require, to the greatest extent feasible, the employment of new and improved technology, techniques, materials, and methods in housing construction, rehabilitation, and maintenance under programs administered by the Department of Housing and Urban Development with a view to reducing the cost of such construction, rehabilitation, and maintenance, and stimulating the increased and sustained production of housing under such programs."

COLLEGE HOUSING

SEC. 1705. (a) The heading of section 401 of the Housing Act of 1950 is amended by striking out "LOANS" and inserting in lieu thereof "ASSISTANCE IN THE FORM OF LOANS OR ANNUAL GRANTS".

(b) Section 401(a) of such Act is amended to read as follows:

"(a) To assist educational institutions in providing housing and other educational facilities for students and faculties, the Secretary may make loans of funds to such insitutions for the construction or purchase of such facilities or may, as an alternative to all or part of the loan (in the case of any such institution), make annual grants to the institution to reduce the cost of its borrowing from other sources for such construction or purchase: *Provided,* That no such assistance shall be provided unless (1) the educational institution involved is unable to secure the necessary funds for the construction or purchase from other sources upon terms and conditions equally as favorable as the terms and conditions applicable to loans under this title, and (2) the Secretary finds that any such construction will be undertaken in an economical manner, and that any such facilities are not or will not be of elaborate or extravagant design or materials."

(c) Section 401(c) of such Act is amended—

(1) by inserting "(1)" after "(c)";

(2) by striking out "of (1)" and "or (2)" and inserting in lieu thereof "of (A)" and "or (B)", respectively; and

(3) by adding at the end thereof the following new paragraph;

"(2) Annual grants to an educational institution with respect to any housing or other educational facilities shall be made over a fixed period not exceeding 40 years, and provision for such grants shall be embodied in a contract guaranteeing their payment over such period. Each such grant shall be in an amount equal to the difference between (A) the average annual debt service which would be required to be paid, during the life of the loan, on the amount borrowed from other sources for the construction or purchase of such facilities, and (B) the average annual debt service which the institution would have been required to pay, during the life of the loan, with respect to such amount if the applicable interest rate were the rate specified in paragraph (1): *Provided,* That the amount on which such grant is based shall be approved by the Secretary but in no event shall exceed the total development cost of the facilities."

(d) Section 401(d) of such Act is amended by inserting "(1)" after "(d)", and by adding at the end thereof the following new paragraph:

"(2) There are hereby authorized to be appropriated to the Secretary such sums as may be necessary, together with loan principal and interest payments made by educational institutions assisted with loans made hereunder, for payments on notes or other obligations issued by the Secretary under this section."

(e) Section 401(f) of such Act is amended to read as follows:

"(f)(1) There are hereby authorized to be appropriated to the Secretary such sums as may be necessary for the payment of annual grants to educational institutions in accordance with this section.

"(2) Contracts for annual grants under this section shall not be entered into in an aggregate amount greater than is authorized in appropriation Acts; and in any event the total amount of annual grants which may be paid to educational institutions in any year pursuant to contracts entered into under this section shall not exceed $10,000,000, which amount shall be increased by $10,000,000 on July 1, 1969."

(f) Section 403 of such Act is amended by striking out "the funds provided for in this title in the form of loans" and inserting in lieu thereof "the amount of the funds provided for in this title in the form of loans, and not more than 12½ per centum of the funds provided for in this title for grants,".

(g)(1) Section 401(g) of such Act is amended to read as follows:

"(g) Except as otherwise provided in the second paragraph of section 404(b), in the case of any loan which is made under this section to a nonprofit student housing cooperative corporation referred to in clause (5) of section 404(b), or which is obtained from other sources by such a corporation and is the subject of a contract for annual grants entered into under this section, the Secretary shall require that the note securing such loan be cosigned by the educational institution (referred to in clause (1) of such section) at which such corporation is located, and that, in the event of the dissolution of such corporation, title to the housing constructed with such loan will vest in such educational institution."

(2) Section 404(a) of such Act is amended by inserting "or existing" immediately after "new".

(3) Clause (3)(B) of section 404(b) of such Act is amended by striking out "of any loan secured under this title" and inserting in lieu thereof the following: "of any loan which is made under section 401, or is the subject of a contract for annual grants entered into under section 401,".

(4) Clause (4) of section 404(b) of such Act is amended by striking out "to obtain loans" and inserting in lieu thereof "to obtain loans or grants".

(5) The second paragraph of section 404(b) of such Act is amended by inserting after "clause (5) of this subsection," the following: "and in the case of any loan which is obtained from other sources by such a corporation and is the subject of a contract for annual grants entered into under section 401,".

(6) Section 404(c) of such Act is amended by inserting before the period at the end thereof the following: "; except that in the case of the purchase of facilities such term means the cost as approved by the Secretary".

(7) Section 404(h) of such Act is amended by inserting "or existing" immediately after "new".

(h) The last sentence of paragraph "Seventh" of section 5136 of the Revised Statutes (12 U.S.C. 24) (appearing immediately before the sentence added by section 911 of this Act) is amended by inserting after "the Asian Development Bank" the following: ", or obligations issued by any State or political subdivision or any agency of a State or political subdivision for housing, university, or dormitory purposes,".

HOUSING FOR THE ELDERLY

SEC. 1706. Section 202(a) of the Housing Act of 1959 is amended—

(1) by inserting in paragraph (1) after "corporations," the following: "limited profit sponsors,";

(2) by inserting in paragraph (2) after "(as defined in subsection (d)(2)," the following: "to any limited profit sponsor approved by the Secretary,"; and

(3) by inserting in paragraph (3) after "Secretary" the following: ", except that in the case of other than a corporation, consumer cooperative, or public body or agency the amount of the loan shall not exceed 90 per centum of the development cost".

FEDERAL-STATE TRAINING PROGRAMS

SEC. 1707. (a) Title VIII of the Housing Act of 1964 is amended—

(1) by inserting after "urban centers," in section 801(b) the following: "and with business firms and associations, labor unions, and other interested associations and organizations"; and

(2) by striking out "technical and professional people" in sections 801(b)(1) and 802(a)(1) and inserting in lieu thereof "technical, professional, and other persons with the capacity to master and employ such skills"; and

(3) by inserting after "which has responsibility for community development" in sections 801(b)(1) and 802(a)(1) the following: ", or by a private nonprofit organization which is conducting or has responsibility for housing and community development programs".

(b) Section 805 of such Act is amended by inserting "Guam, American Samoa, the Trust Territory of the Pacific Islands," after "the Commonwealth of Puerto Rico,".

ADDITIONAL ASSISTANT SECRETARY OF HOUSING AND URBAN DEVELOPMENT

SEC. 1708(a) The first sentence of section 4(a) of the Department of Housing and Urban Development Act is amended by striking out "five" and inserting in lieu thereof "six".

(b) Paragraph (87) of section 5315 of title 5, United States Code, is amended by striking out "(4)" and inserting in lieu thereof "(6)".

INTERNATIONAL HOUSING

SEC. 1709. Section 604 of the Housing Act of 1957 is amended to read as follows:

SEC. 604. (a) The Secretary of Housing and Urban Development may exchange data relating to housing and urban planning and development with other nations and assemble such data from other nations, through participation in international conferences and other means, where such exchange or assembly is deemed by him to be beneficial in carrying out his responsibilities under the Department of Housing and Urban Development Act or other legislation. In carrying out his responsibilities under this subsection the Secretary may—

"(1) pay the expenses of participation in activities conducted under authority of this section including, but not limited to, the compensation, travel expenses, and per diem in lieu of subsistence of persons serving in an advisory capacity while away from their homes or regular places of business in connection with attendance at international meetings and conferences, or other travel for the purpose of exchange or assembly of data relating to housing and urban planning and development; but such travel expenses shall not exceed those authorized for regular

officers and employees traveling in connection with said activities; and

"(2) accept from international organizations, foreign countries, and private nonprofit foundations, funds, services, facilities, materials, and other donations to be utilized jointly in carrying out activities under this section.

"(b) International programs and activities carried out by the Secretary under the authority provided in subsection (a) shall be subject to the approval of the Secretary of State for the purpose of assuring that such authority shall be exercised in a manner consistent with the foreign policy of the United States."

ELIGIBILITY FOR RENT SUPPLEMENT PAYMENTS

SEC. 1710. Notwithstanding any other provision of law respecting the date after which a mortgage must have been approved for mortgage insurance under section 221(d)(3) of the National Housing Act, the Secretary of Housing and Urban Development is authorized to make and contract to make, rent supplement payments under the provisions of section 101 of the Housing and Urban Development Act of 1965 to the owners of the housing projects known as the 114th Street rehabilitation project and the 114th Street rehabilitation project numbered 2, in New York City, New York (project numbers 012-33501 and 012-33512).

CONSOLIDATION OF LOW-RENT PUBLIC HOUSING PROJECTS IN THE DISTRICT OF COLUMBIA

SEC. 1711. All projects now operated and maintained by the National Capital Housing Authority pursuant to title I of the District of Columbia Alley Dwelling Act are deemed to be low-rent housing projects and may be consolidated, pursuant to section 15(6) of the United States Housing Act of 1937, into any contract for annual contributions covering projects maintained and operated pursuant to title II of the District of Columbia Alley Dwelling Act.

URBAN RENEWAL PROJECT IN GARDEN CITY, MICHIGAN

SEC. 1712. Notwithstanding the date of commencement of construction of the Florence Primary School in Garden City, Michigan, local expenditures made in connection with such school shall, to the extent otherwise eligible, be counted as a local grant-in-aid toward the Cherry Hill urban renewal project (Mich. R-46) for purposes of title I of the Housing Act of 1949.

URBAN RENEWAL PROJECT IN SACRAMENTO, CALIFORNIA

SEC. 1713. Notwithstanding the date of commencement of construction of the storm drainage system in the Capital Mall Riverfront urban renewal project (Calif. R-67) in Sacramento, California, local expenditures made in connection with such storm drainage system located in that project shall, to the extent otherwise eligible, be counted as a local grant-in-aid toward that project for purposes of title I of the Housing Act of 1949.

SELF-HELP STUDIES

SEC. 1714. (a) Section 207 of the Housing Act of 1961 is amended by inserting after the words "improved means" the following: ", including the study of self-help in the construction, rehabilitation, and maintenance of housing for low-income persons and families and the methods of selecting, involving, and directing such persons and families in self-help activities,".

(b) The Secretary of Housing and Urban Development shall make a report to the Congress, within one year after the date of enactment of this Act, setting forth the results of the self-help studies and demonstrations carried out under section 207 of the Housing Act of 1961, together with such recommendations as he deems appropriate.

EARTHQUAKE STUDY

SEC. 1715. Section 5 of the Southeast Hurricane Disaster Relief Act of 1965 is amended by striking out "three years after the appropriation of funds for this study" and inserting in lieu thereof "June 30, 1969".

SAVINGS AND LOAN ASSOCIATIONS

SEC. 1716. (a) Section 5(b) of the Home Owners' Loan Act of 1933 is amended to read as follows:

"(b)(1) An association may raise capital in the form of such savings deposits, shares, or other accounts, for fixed, minimum, or indefinite periods of time (all of which are referred to in this section as savings accounts and all of which shall have the same priority upon liquidation) as are authorized by its charter or by regulations of the Board, and may issue such passbooks, time certificates of deposit, or other evidence of savings accounts as are so authorized. Holders of savings accounts and obligors of an association shall, to such extent as may be provided by its charter or by regulations of the Board, be members of the association, and shall have such voting rights and such other rights as are thereby provided. Except as may be otherwise authorized by the association's charter or regulation of the Board in the case of savings accounts for fixed or minimum terms of not less than thirty days, the payment of any savings account shall be subject to the right of the association to require such advance notice, not less than thirty days, as shall be provided for by the charter of the association or the regulations of the Board. The payment of withdrawals from savings accounts in the event an association does not pay all withdrawals in full (subject to the right of the association to require notice) shall be subject to such rules and procedures as may be prescribed by the association's charter or by regulation of the Board, but any association which, except as authorized in writing by the Board, fails to make full payment of any withdrawal when due shall be deemed to be in an unsafe or unsound condition to transact business within the meaning of subsection (d) of this section. Savings accounts shall not be subject to check or to withdrawal or transfer on negotiable or transferable order or authorization to the association, but the Board may by regulation provide for withdrawal or transfer of savings accounts upon nontransferable order or authorization.

"(2) To such extent as the Board may authorize by regulation or advice in writing, an association may borrow, may give security, and may issue such notes, bonds, debentures, or other obligations, or other securities (except capital stock) as the Board may so authorize."

(b) Section 5(c) of the Home Owners' Loan Act of 1933 is amended—

(1) by striking out "shares" in the first sentence and inserting in lieu thereof "savings accounts"; and

(2) by inserting after the first semicolon in the second proviso the following words: "or in time deposits, certificates, or accounts of any bank the deposits of which are insured by the Federal Deposit Insurance Corporation;".

Section 5(c) of such Act is amended by inserting in the second paragraph after property alteration, repair, or improvement" the following: ", including the construction of new structures related to residential use of the property".

(d) Section 5(c) of such Act is amended by adding immediately after the second paragraph thereof the following new paragraph:

"Without regard to any other provision of this subsection, but subject to such prohibitions, limitations, and conditions as the Board may by regulation prescribe, any such association may make and invest in—

"(A) any loan not exceeding $5,000 made for the repair, equipping, alteration, or improvement of any real property, or

"(B) any loan made for the purpose of mobile home financing."

(e) The first sentence of the paragraph which, prior to the amendments made by this Act, was the next to the last paragraph of section 5(c) of such Act, is amended—

(1) by inserting "(1)" immediately before "invest";

(2) by striking out "(1)" before "secured";

(3) by inserting ", now or hereafter in effect," after "National Housing Act"; and

(4) by striking out all that follows "(2)" and inserting in lieu thereof the following: "acquire and hold investments in housing project loans, or interests therein, having the benefit of any guaranty under section 221 of the Foreign Assistance Act of 1961, as now or hereafter in effect, or loans, or interests therein, having the benefit of any guaranty under section 224 of such Act, or any commitment or agreement with respect to such loans, or interests therein, made pursuant to either of such sections."

(f) Section 5(c) of such Act is amended by adding immediately before the last paragraph thereof the following new paragraph:

"Any such association may invest in loans, or interests in loans, to financial institutions with respect to which the United or any agency or instrumentality thereof has any function of examination or supervision, or to any broker or dealer registered with the Securities and Exchange Commission, secured by loans, obligations, or investments in which it has any statutory authority to invest directly."

FEDERAL HOME LOAN BANK ACT

SEC. 1717. Section 12 of the Federal Home Loan Bank Act, as amended (12 U.S.C. 1432), is amended by inserting "(a)" after "SEC. 12.", and by adding at the end thereof a new subsection as follows:

"(b) Subject to such regulations as may be prescribed by the Board, one or more Federal home loans banks may acquire, hold, or dispose of, in whole or in part, or facilitate such acquisition, holding, or disposition by members of any such bank of, housing project loans, or interests therein, having the benefit of any guaranty under section 221 of the Foreign Assistance Act of 1961, as now or hereafter in effect, or loans, or interests therein, having the benefit of any guaranty under section 224 of such Act, or any commitment or agreement with respect to such loans, or interests therein, made pursuant to either of such sections."

FEDERAL RESERVE ACT

SEC. 1718. Section 24 of the Federal Reserve Act, as amended (12 U.S.C. 371), is amended—

(1) by striking out "twenty-four months," wherever it appears in the third paragraph and inserting in lieu thereof "thirty-six months";

(2) by striking out "when the entire amount of such obligation is sold to the association", wherever it appears in the first and second paragraphs, and inserting in lieu thereof "in whole or in part and at any time or times prior to the maturity of such obligation"; and

(3) by striking out the last paragraph and inserting in lieu thereof the following:

"Loans made to any borrower (i) where the association looks for repayment by relying primarily on the borrower's general credit standing and forecast of income, with or without other security, or (ii) where the association relies on other security as collateral for the loans (including but not limited to a guaranty of a third party), and where, in either case described in clause (i) or (ii) above, the association wishes to take a mortgage, deed of trust, or other instru-

ment upon real estate (whether or not constituting a first lien) as a precaution against contingencies, such loans shall not be considered as real estate loans within the meaning of this section but shall be classed as ordinary non-real-estate loans."

LOW-RENT PUBLIC HOUSING—CORPORATE STATUS

SEC. 1719. (a) The first sentence of section 3 of the United States Housing Act of 1937 is amended by striking "a body corporate of perpetual duration to be known as".

(b) Section 17 of such Act is repealed. The capital stock referred to in such section shall be retired, and sum of $1,000,000 represented by such stock shall be returned to the Treasury of the United States.

(c) Such Act is amended by adding a new section 17 as follows:

"SEC. 17. In the performance of, and with respect to, functions powers, and duties under this Act, the Secretary shall have (in addition to any authority otherwise vested in him) the functions, powers, and duties set forth in subsections (a), (b), and (e) of section 402 of the Housing Act of 1950."

(d) Section 101 of the Government Corporation Control Act is amended by striking out "United States Public Housing Authority and including public housing projects financed through appropriated funds and operations thereof;".

SPECIAL STUDIES OF SAVINGS AND LOAN INDUSTRY

SEC. 1720. That part of chapter IV of the Second Supplemental Appropriation Act, 1966, which relates to expenses necessary for special studies of the savings and loan industry is amended by striking out "1968" and inserting "1969".

SMALL BUSINESS ACT

SEC. 1721. Subsection (a) of section 4 of the Small Business Act is amended by inserting immediately after "the Commonwealth of Puerto Rico," the following: "the Trust Territory of the Pacific Islands,".

TECHNICAL AMENDMENTS

SEC. 1722. (a) Section 110(c) of the Housing Act of 1949 is amended by striking out "paragraphs (7), (8), and (9)" in the second unnumbered paragraph following the numbered paragraphs and inserting in lieu thereof "paragraphs (7), (8), (9), and (10)".

(b) Section 110(d) of the Housing Act of 1949 is amended by striking out "clauses (2), (3)" and inserting in lieu thereof "clauses (2), (3), (7)".

(c) Section 110(e) of the Housing Act of 1949 is amended by striking out "and (9)" in clause (i) and inserting in lieu thereof "(9), and (10)".

(d) Section 1101(c)(3) of the National Housing Act is amended by inserting "from the beginning of amortization of the mortgage" immediately after "twenty-five years".

(e) Section 213(o) of the National Housing Act is amended by adding at the end thereof four new sentences as follows: "Moneys in the Cooperative Management Housing Insurance Fund not needed for current operations of the fund shall be deposited with the Treasurer of the United States to the credit of the Cooperative Management Housing Insurance Fund or invested in bonds or other obligations of, or in bonds or other obligations guaranteed as to principal and interest by, the United States. The Secretary may, with the approval of the Secretary of the Treasury, purchase in the open market debentures which are the obligations of the Cooperative Management Housing Insurance Fund. Such purchases shall be made at a price which will provide an investment yield of not less than the yield obtainable from other investments authorized by this subsection. Debentures so purchased shall be canceled and not reissued."

(f) Section 810(e) of the National Housing Act is amended—

(1) by striking out "private corporation, association, cooperative society, or trust" in the first sentence and inserting in lieu thereof "mortgagor approved by the Secretary", and

(2) by striking out "corporation, association, cooperative society, or trust" in the third and fourth sentences and inserting in lieu thereof "mortgagor".

(g) Section 220(d)(2)(B) of the National Housing Act is amended by striking out "corporations restricted by" and inserting in lieu thereof "corporations or other legal entities restricted by or under".

And the House agree to the same.

WRIGHT PATMAN,
WILLIAM A. BARRETT,
LEONOR K. SULLIVAN,
HENRY S. REUSS,
THOMAS L. ASHLEY,
WILLIAM S. MOORHEAD,
WILLIAM B. WIDNALL,
FLORENCE P. DWYER,
GARRY BROWN,
Managers on the Part of the House.

JOHN SPARKMAN,
WILLIAM PROXMIRE,
HARRISON A. WILLIAMS, Jr.,
EDMUND S. MUSKIE,
WALLACE F. BENNETT,
JOHN TOWER,
CHARLES PERCY,
Managers on the Part of the Senate.

STATEMENT

The managers on the part of the House at the conference on the disagreeing votes of the two Houses on the amendment of the House to the bill (S. 3497) to assist in the provision of housing for low and moderate income families, and to extend and amend laws relating to housing and urban development, submit the following statement in explanation of the effect of the action agreed upon by the conferees and recommended in the accompanying conference report:

The House struck out all of the Senate bill after the enacting clause and inserted a substitute amendment. The committee of conference has agreed to a substitute for both the House amendment and the Senate bill. Except for technical, clarifying, and conforming changes, the following statement explains the differences between the House amendment and the substitute agreed to in conference.

Employment opportunities

The Senate bill contained a provision not in the House amendment requiring consultation with the Secretary of Labor, and covered "training", "planning", and "operation of housing", in addition to employment in construction and rehabilitation. The Senate bill also contained a provision directing the awarding of contracts to the greatest extent feasible to business concerns in the area of such programs in consultation with the Administrator of the Small Business Administration. The conference report contains the Senate provisions.

Annual report on program administration and management

The House amendment contained a provision requiring annual reports beginning with an interim report on January 15, 1969, to the Banking and Currency Committees of the House and Senate on areas of program administration and management which require improvement. The conference substitute contains the House provision but requires only two reports, the first as early as practicable in calendar year 1969, and the second in calendar year 1970.

TITLE I—LOWER INCOME HOUSING

Homeownership for lower income families

The Senate bill describes the title of section 101 as "Homeownership for Lower Income Families". The section title of the House amendment was "Homeownership for Low and Moderate Income Families". The conference substitute conforms to the Senate bill.

Family income ceiling

The Senate bill limited eligibility for interest rate subsidies to families with incomes less than 70 percent of section 221(d)(3) BMIR program except that 20 percent of the funds could be used for families with incomes exceeding that limit. The House amendment limited initial elgibility and continued assistance to families with incomes less than 130 percent of income levels of continued occupancy in the area which can be established pursuant to the public housing law.

The conference substitute provides the following income limits: For 80 percent of the funds authorized, the income limit is 135 percent of the public housing level in the area for initial occupancy, plus $300 per minor child. For the remainng 20 percent of the funds authorized, the income limit is 90 percent of the maximum levels established in the area under the Below Market Interest Rate program, plus $300 per minor child.

The conference substitute also directs the Secretary to the maximum extent practicable to use the authorized funds for the lowest income families for whom homeownership is practicable.

The conference substitute also requires an annual report by the Secretary to the Banking and Currency Committees of the Senate and House on the income groups being served by the program.

Deduction for children

The Senate bill contained a deduction of $300 per minor child from family income for purposes of determining monthly payment as well as income eligibility. The House amendment allowed a $200 deduction from family income in determining the monthly payment. The conference substitute contains the Senate provision.

Downpayment

The Senate bill contained a provision permitting a $200 downpayment for families whose incomes are below 70 percent of section 221(d)(3) level, and 3 percent downpayment for all others. The House amendment permitted $200 downpayment for displaced families, and 3 percent for others.

The conference substitute provides for a $200 downpayment for families receiving subsidy assistance whose incomes fall below the ceiling of 135 percent of public housing initial occupancy income levels, and a 3-percent downpayment for all others.

Eligibility of standard existing housing

The Senate bill contained a provision which limited eligibility generally to new and rehabilitated housing but made exceptions with respect to standard existing housing as follows:

a. Displaced families.
b. Families with five or more minors.
c. Families occupying public housing.
d. A dwelling unit in a rent supplement project.
e. A dwelling unit in a section 236 project.

However, assistance for standard existing housing including the above categories but not limited to them cannot exceed—

a. 25 percent of funds for fiscal year 1969;
b. 15 percent of funds for fiscal year 1970;
c. 10 percent of funds for fiscal year 1971.

The House amendment placed no statutory restrictions on existing structures, provided they met standards prescribed by Secretary of HUD, or if assistance payments are made on behalf of the previous owner who purchased the unit from a nonprofit organization pursuant to 235(j).

The conference substitute conforms to the Senate provisions except that it retains the provision in the House amendment extending eligibility for existing housing if assistance payments are made on behalf of

a family who purchased the unit from a nonprofit organization pursuant to section 235(j) and other standard housing aided under section 235(j).

Preference for benefits

The House amendment contained a provision which would have provided a general preference for displaced families, families with five or more minors and families occupying public housing. The Senate bill did not contain this provision and none is contained in the conference substitute.

Eligibility of cooperative members

The Senate bill contained a provision permitting payments to an otherwise eligible cooperative member who receives membership by transfer from an initial member who received assistance payments under the program. This provision, not contained in the House amendment, is contained in the conference substitute.

Interest subsidy benefits for housing purchased by nonprofit organizations for resale to lower income families under the new section 235(j)

(a) *Sponsor.*—The Senate bill contained a provision permitting sponsorship by public bodies or agencies as well as by nonprofit organizations. The House amendment limited sponsorship to nonprofit organizations. The conference substitute conforms to the Senate bill.

(b) *Type of housing.*—The Senate bill contained a provision limiting this program to substandard housing in need of rehabilitation. The House amendment made eligible the purchase and resale of existing standard housing as well as a two-family dwelling, one unit of which will be occupied by the purchaser. The conference substitute conforms to the House amendment except that eligibility (in the case of standard housing) is to be confined to the type of neighborhoods in which the present section 221(h) program operates.

(c) *Subsidy payment.*—The Senate bill contained a provision authorizing payments to lower income families purchasing and occupying units sold by a nonprofit organization. The House amendment authorized payments to low and moderate income families who either purchased the unit from the nonprofit group or purchased by assumption from the previous owner who received assistance payments. The conference substitute conforms to the House amendment but confines eligibility to lower income families.

(d) *Price of individual unit sold by nonprofit sponsor.*—The Senate bill contained a provision authorizing a fixed price based on the allocable share of the unpaid mortgage plus at least $200 in cash or its equivalent. The House amendment contained a similar provision except it contained no provision for paying the $200 in the equivalent of cash. The conference substitute conforms to the Senate bill.

The section 221(h) rehabilitation program for subsequent resale to low income families

(a) *Interest rate.*—The House amendment contained a provision not in the Senate bill which would authorize the Secretary to set interest rates as low as 1%. The conference substitute adopts the House provision but requires the Secretary to raise the rate as high as 3% if subsequent income review shows an increase in the homeowner's income.

(b) *New authority for rehabilitation and refinancing of existing indebtedness.*—The House amendment contained a provision not in the Senate bill authorizing the Secretary to insure mortgages for rehabilitation and refinancing under the following conditions:

(1) Maximum mortgage $15,000.

(2) Interest rate between 1 and 3 percent depending on income.

(3) Reasonable downpayment as determined by the Secretary, but at least $200.

(4) Family income cannot exceed local public housing level.

The conference substitute contains the provision in the House amendment except that the refinancing authority which will be available is limited to a period of one year following enactment and requires the Secretary to raise the rate as high as 3 percent if subsequent income review shows an increase in the homeowner's income.

Credit assistance

Both the House and Senate bills authorized FHA mortgage insurance for marginal credit risks who could be qualified for mortgage credit with the aid of counseling. The Senate bill limited such insurance to $200 million outstanding while the House bill imposed a limit of $100 million. The conference substitute conforms to the Senate bill.

Special risk insurance fund

The House bill contained a provision, not in the Senate bill, requiring an annual business-type budget for the newly established Special Risk Fund in FHA. While the conference substitute does not include this requirement, the conferees expect the Federal Housing Administration to give particular emphasis to this Fund in its annual reports and maintain its accounts in such a way that experience under this program can be readily evaluated.

Advisory commission on low income housing

The Senate bill contained a provision establishing a National Advisory Commission on Low Income Housing. The House amendment contained no such provision. The conference report contains the Senate language.

TITLE II—RENTAL HOUSING FOR LOWER INCOME FAMILIES

Rental and cooperative housing

(a) *Section title.*—The Senate bill described the title of section 201 as "Rental and Cooperative Housing for Lower Income Families". The section title of the House amendment was "Rental and Cooperative Housing for Low and Moderate Income Families". The conference substitute conforms to the Senate bill.

(b) *Family income ceiling.*—The Senate bill limited eligibility to families with incomes less than 70 percent of section 221(d)(3) below market interest rate levels, except that 20 percent of the funds could be used for families with incomes exceeding that limit. The House amendment limited initial eligibility to families with incomes less than 130 percent of income levels for continued occupancy in the area which can be established pursuant to public housing law.

The conference substitute provides the following income limits: For 80 percent of the funds authorized the income limit is 135 percent of the public housing level in the area for initial occupancy, plus $300 per minor child. For the remaining 20 percent of the funds authorized the income limit is 90 percent of the maximum level established under the below market interest rate program in the area, plus $300 per minor child.

The conference substitute also requires an annual report by the Secretary to the Banking and Currency Committees of the Senate and House on how the subsidy program is operated with respect to the income limits provided in the conference substitute.

(c) *Deduction for children.*—The Senate bill contained a provision not in the House amendment providing a $300 deduction per minor child from family income for purposes of determining monthly payment as well as income eligibility.

The conference substitute contains the Senate language.

Rent supplements; percent of income payable

The House amendment contained a provision not in the Senate bill requiring a payment of 20 percent of income (existing law requires 25 percent of income). The conference substitute retains the 25 percent requirement in existing law but permits a deduction from income of $300 per minor child.

Public housing

(a) *Number of units per structure in leased section 223 housing.*—The House amendment contained a provision not in the Senate bill which would have limited eligible units in a single structure to the lesser of (a) 10 units or 10 percent, whichever is greater, or (b) 50 percent of the units in the structure. No such provision is contained in the conference substitute.

(b) *Tenant services.*—The Senate bill contained a provision not in the House amendment which authorized grants to local housing authorities to provide tenant services with an authorized limit on appropriations of $20 million for fiscal year 1969, and $40 million in fiscal year 1970. The conference substitute authorizes $15 million for fiscal year 1969 and $30 million for fiscal year 1970 and lists the types of services to be covered.

The list is that contained in the bill reported by the House Committee on Banking and Currency with two changes. The committee-reported bill stated that "the term 'tenant services' includes (without being limited to) the following services and activities." The parenthetic phrase "without being limited to" has been stricken in the conference substitute. The committee-reported bill also included in the list of eligible activities a reference to "intertenant activities" which has been stricken in the conference substitute.

TITLE III—FEDERAL HOUSING ADMINISTRATION INSURANCE OPERATIONS

Supplemental loans for multifamily projects

The Senate bill contained a provision applying to a supplemental loan the labor standards provisions "that are applicable to" the section under which the original mortgage was insured. The House amendment applied the labor standards provisions "without regard to" the section under which the original mortgage was insured. The conference substitute conforms to the Senate bill.

It is the intention of the conferees that the construction financed by these loans be governed by the same labor standards provisions of section 212 of the National Housing Act that are applicable, at the time the commitment to insure a supplemental loan is issued, to the program under which the mortgage covering the project or facility is insured. This would mean that the owner of an existing FHA multifamily project wishing to obtain a supplemental loan to expand or modernize his project would be governed by the same labor standards provisions that would govern the construction of a new project of the same type.

Term of Federal Housing Administration mortgages for land development

The Senate bill contained a provision not in the House amendment giving the Secretary authority to extend the maturity of land development mortgages beyond 10 years if he determines such an extension warranted by unusual or unforeseen circumstances. The conference substitute contains the Senate provision.

Equipment in nursing homes; mortgage maturity

The House amendment contained a provision limiting the maturity of mortgages covering equipment to the reasonable use expectancy of the equipment. The Senate bill contained no provision and none is contained in the conference report.

Housing in outlying areas

The House amendment contained a provision increasing the maximum mortgage under the section 203(i) program from $12,-

500 to $15,000. The Senate bill contained no provision. The conference substitute retains this provision, with an amendment providing that the maximum mortgage be raised to $13,500.

Notification prerequisite in connection with local government for section 221(d)(3) projects

The House amendment contained a provision requiring the Secretary of HUD to notify a local governing body of a proposed section 221(d)(3) project, requesting a statement of the project's impact on local public services and its relationship to any locally adopted master plans. The Senate bill contained no provision, and no such provision is contained in the conference substitute.

Seasonal homes

The Senate bill authorized FHA to insure mortgages on seasonal homes not exceeding $15,000, and 75 percent of the appraised value, on an acceptable risk basis, taking into consideration the economic potential of the area and the effect the insurance on such mortgages would have on the availability of mortgage credit in the area.

The Senate bill also requires that proper steps be taken to preserve the natural resources of the area. The House amendment contained no provision. The conference report contains the Senate provision.

TITLE IV—NEW COMMUNITIES

Guarantees for financing new community development

The Senate bill contained a provision, not in the House bill, authorizing the Secretary of HUD to guarantee bonds, debentures, notes, and other obligations issued by private new community developers to help finance development of new community projects.

The maximum guarantee could not exceed the lesser of (a) 80 percent of the Secretary's estimate of the value of the property upon completion of the land development, or (b) the sum of 75 percent of the Secretary's estimate of value of land before development and 90 percent of his estimate of actual cost of the land development.

The guarantee could not exceed $50 million for any single new development and $250 million aggregate outstanding principal obligation at any one time.

Fees and charges collected by the Secretary will be deposited in a revolving fund to cover any liabilities under guarantees. In addition, full faith and credit of the United States is pledged to payment of guarantees and debentures and appropriations to cover program operations and nonadministrative expenses and, if necessary, any guarantee payments are authorized.

The provision would require HUD to adopt requirements encouraging small builders to participate in new community projects.

The provision would authorize supplemental grants to States and localities assisting new community development with basic water and sewer and open space projects. The additional grant is limited to 20 percent of cost of the facility and requires, if supplementary grants are used, that a substantial number of housing units for low and moderate income persons must be made available through such development project. (Total Federal grant cannot exceed 80 percent of facility cost.) Appropriations of not to exceed $5 million for supplemental grants for fiscal year 1969 and not to exceed $25 million for fiscal year 1970 would be authorized.

Sections of this title also require cost certifications in connection with a land development project and authorize the General Accounting Office to audit the transactions of developers whose obligations are guaranteed pursuant to this title.

The conference substitute contains the Senate provision with a modification restricting the GAO audits to transactions related to new community undertakings.

TITLE V—URBAN RENEWAL

Extension of rehabilitation grants to property located outside urban renewal and code enforcement areas

The Senate bill contained a provision authorizing grants under section 115 of the Housing Act of 1949 to property located in an area certified by a local governing body as containing a substantial number of structures in need of repairs and improvements; also the locality must have the workable program and the area must be scheduled for rehabilitation or code enforcement within a reasonable time, and repairs to property must be consistent with such plans. The House amendment contained a provision requiring that such property be located in an area certified by a local governing body as containing a substantial number of structures in need of rehabilitation. The conference report contains the Senate provision with a requirement that the area be "definitely planned" for rehabilitation or code enforcement.

The House amendment also contained a provision authorizing grants for property determined to be uninsurable after inspection under the FAIR plan where located in an area which has a substantial number of properties in need of rehabilitation. The Senate bill contains no provision. The conference report retains the House provision, with an amendment providing that such properties will be eligible regardless of location.

Disposition of urban renewal land

The House amendment contained a provision not in the Senate bill authorizing the disposition of urban renewal property at fair value to private developers (in addition to nonprofit groups, limited dividend corporations, and public organizations eligible under existing law). The conference substitute retains the House provision with an amendment directing the Secretary to assure that the benefit of this provision goes to the home buyer rather than to the private developer.

Rehabilitation loan program

Both the House and Senate bills broadened eligibility for rehabilitation loans under section 312 of the Housing Act of 1964 to areas outside urban renewal and code enforcement. The Senate bill required that such areas contain a substantial number of structures in need of rehabilitation; that the areas be scheduled for rehabilitation or code enforcement within a reasonable time; that the rehabilitation be consistent with the plan; that there be a workable program covering the area; and that the property be in violation of local codes. The House bill required that the area contain a substantial number of structures in need of rehabilitation and that the property required substantial rehabilitation. The conference report contains the Senate provision with a requirement that the area be "definitely planned" for rehabilitation or code enforcement.

The House amendment also contained a provision authorizing section 312 loans for property determined to be uninsurable after inspection under the FAIR plan where located in an area which has a substantial number of properties in need of rehabilitation. The Senate bill contained no provision. The conference report retains the House provision, with an amendment providing that such properties will be eligible regardless of location.

The House bill also included an amendment not in the Senate bill limiting section 312 rehabilitation loans to persons whose income is within locally applicable section 221(d)(3) BMIR limits. The conference report retains this provision with an amendment limiting this restriction to residential loans and exempting urban renewal and code enforcement projects now receiving financial assistance under title I of the Housing Act of 1949 which contemplate the use of these loans.

Interim assistance for blighted areas

The Senate bill contained a provision not in the House amendment authorizing the use of up to $20 million a year of the regular urban renewal authorization to assist localities in alleviating harmful conditions in slum and blighted areas where urban renewal or code enforcement activities are planned but some immediate action is needed until those activities can be begun. The conference substitute contains the Senate provision with a reduction in the dollar amount to $15 million.

Low and moderate income housing in residential areas

The Senate bill contained a provision requiring that a majority of housing units in urban renewal areas to be developed for predominately residential uses be for low and moderate income families. The House amendment required that a majority of housing units in each community's urban renewal projects to be developed for predominately residential uses be for low and moderate income families and that at least 20 percent of the total units in such projects in each community be for low income families. The conference substitute contains the House provision with authority for the Secretary to waive the requirement of 20 percent for low income families where he determines that this is not needed. In any case in which the Secretary exercised this waiver authority, he would be required by the conference substitute to report on his action to the Committees on Banking and Currency.

Workable program for Indian tribes

The House amendment contained a provision not in the Senate bill deferring the effective date for meeting the code enforcement requirement of the workable program in the case of Indian tribes until January 1, 1969. The conference substitute contains the House provision but extends the date to January 1, 1970.

Property damage by limestone quarry subsidence

The House amendment contained a provision permitting urban renewal project payment of unreduced value upon acquisition of property damaged by limestone quarry subsidence. There was no similar provision in the Senate bill and none is contained in the conference report.

TITLE VI—URBAN PLANNING AND FACILITIES

Comprehensive planning

The Senate bill contained a provision making eligible for planning grants under section 701 grant program the various regional commissions established under the Public Works and Economic Development Act of 1965. The House amendment contained no provision. The conference report contains the Senate language.

Consultation with the Secretary of Commerce

The Senate bill contained a provision requiring the Secretary of HUD to consult with the Secretary of Commerce before approval of any planning grant which includes any part of an economic development district, and also permits the Secretary of Commerce to provide technical assistance in the establishment of districts and their planning. The House amendment contains no such language. The conference report contains the Senate language.

Implementation of planning

The House amendment contained a provision which provides that grants to councils of governments may be used for implementation of plans. The Senate bill contained no provision. The conference report contains the House language. The conferees wish to state that none of these grant funds

used for the implementation of plans may be used for construction.

Water and sewer program

The House amendment contained a provision increasing the authorization for water and sewer facilities program to $500 million for each of fiscal years 1968 and 1969. The Senate bill provided an additional $115 million for fiscal year 1970. The conference report authorizes an increase to $350 million for fiscal year 1969 and $115 million for 1970.

Repeal of 1966 provision for coordination of Federal aids in metropolitan areas

The House amendment contained a provision repealing section 204 of the Demonstration Cities and Metropolitan Development Act of 1966 which provides for review by an areawide planning body of applications under certain Federal programs. There is no such provision in the Senate bill and none is contained in the conference substitute.

TITLE VII—URBAN MASS TRANSIT

Extension of emergency program

The Senate bill contained a provision extending the emergency program from November 1, 1968, to July 1, 1970. The House amendment extended the program to October 1, 1969. The conference report contains the Senate language.

TITLE VIII—SECONDARY MORTGAGE MARKET

Debt to capital ratio

The Senate bill contained a provision permitting the Secretary of HUD to fix the debt to capital ratio at a figure higher than the present limit of fifteen times the sum of its capital, surplus, and reserves. The House amendment contained a provision permitting the Board of Directors to set the debt to capial ratio instead of the Secretary of HUD. The conference report contains the Senate language.

GNMA guaranteed securities

The Senate bill contained a provision making it possible for savings and loan associations and banks to issue and sell GNMA guaranteed securities. The House amendment contained no provision. The conference report contains the Senate language.

TITLE X—RURAL HOUSING

Labor standards

The House amendment contained a provision requiring labor standards of the Davis-Bacon Act to be applied in all housing constructed for rural trainees where eight or more units are involved. The Senate bill contained no provision and none is contained in the conference report.

TITLE XI—NATIONAL INSURANCE DEVELOPMENT PROGRAM

Operation of the program

The conference substitute generally conforms to the House provisions for the operation of the National Insurance Development Program. The Senate bill included a provision not included in the House bill for an Executive Director to administer the program. In place of this, the conference substitute provides for a Federal Insurance Administrator at executive level IV, who will be responsible for both this program and the flood insurance program provided for in title XIII of the bill. Also, the House bill provided that the definition of "essential property insurance" would be approved both by the State insurance authority and the Secretary. The conference substitute requires approval by the State insurance authority only.

FAIR plans

Both bills required as a condition of reinsurance that participating companies comply with FAIR plans designed to assure the property owners of fair access to insurance requirements. The conference substitute includes a provision not in the House bill that the FAIR plans must be administered under the supervision of the State insurance authority. Both bills provided that reinsurance will not be available following notification that the Secretary has found that programs other than the FAIR plans are needed but have not been implemented. The conference substitute includes a provision not in the House bill requiring the Secretary to consult with State insurance authorities in making this determination. The conference substitute also provides that the Secretary must request the views of the State insurance authority before denying reinsurance to an insurer on the grounds that he is not fully participating in the FAIR plan pool or other program.

Studies

Both bills authorized various studies in connection with the insurance program. The Senate bill directed that these studies be made in cooperation with State insurance authorities, while the House bill made this optional. The conference substitute directs cooperation with State authorities to the maximum extent feasible.

General powers

The conference substitute includes a provision contained in the Senate bill but not in the House bill, requiring that in issuing rules and regulations the Secretary must consult with the Advisory Board provided for in this title.

Financing

Both the House and Senate bills authorized Treasury borrowing to meet the Federal commitment under this program. The Senate bill placed no limitation on this borrowing, while the House bill limited it to $150 million or such further sums as may be determined by congressional joint resolution. The conference report limits the borrowing to $250 million and such further sums as may be authorized by joint resolution.

Disaster relief

The Senate bill contained provisions not included in the House bill amending section 7(b)(1) of the Small Business Act, section 101(c)(2)(E) of the Housing and Urban Development Act of 1949, and section 203(h) of the National Housing Act to make clear that their provisions apply in case of riot or civil disorder, and further providing that no person convicted of a felony during the riot or civil disorder shall be permitted to benefit from the disaster relief laws of the United States. The conference substitute included the Senate provisions, but places a 1-year limit on the prohibition on disaster relief to persons convicted of felonies.

Cancellation of insurance

It has been called to the attention of the conference that a number of existing insurance policies covering inner city properties have been canceled since the April, 1968 disorders. Presumably many of these cancellations were due to the unavailability of reinsurance for riot loss. The conference expects that policies canceled for this reason will be reinstated as soon as reinsurance under this title becomes available, without waiting for implementation of the FAIR plans, and that the Secretary shall encourage to the maximum extent feasible the acceptance of requests for reinstatement of such insurance.

TITLE XIII—NATIONAL FLOOD INSURANCE

Extension of coverage

The Senate bill gave the Secretary of HUD discretionary authority to extend flood insurance coverage to multifamily residential properties, larger business, farm, nonprofit, and public property. The House bill (which authorized initial coverage of smaller businesses) authorized the Secretary to make recommendations to Congress for extended coverage but did not empower the Secretary to act. The conference substitute restores the House provision on initial coverage of smaller businesses and contains the Senate provision giving the Secretary discretionary authority to extend coverage.

Financing

The Senate bill authorized the same general Treasury borrowing authority provided in the Federal Flood Insurance Act of 1956 (which limits borrowing to $500 million plus such additional sums as the President may authorize). The House bill limited this authority to $150 million and rescinded the unused portion of the Federal Flood Insurance Act authority. The conference substitute limits the borrowing to $250 million and rescinds the balance of the 1956 authority.

National flood insurance fund

The Senate bill authorized the Secretary to establish in the Treasury a fund to pay insurance claims as necessary to make premium equalization payments and to pay administrative expenses. The House provision is similar except that it did not provide for payment of administrative expenses. The conference substitute conforms to the Senate provision.

Federal operation of the program

In the event that the alternative federally operated program were undertaken, the Senate bill authorized the Secretary to operate the program through the facilities of the Federal Government by utilizing personnel of HUD and any other executive agency (and through insurance companies, agents, brokers, and organizations as fiscal agents). The House bill was similar except it had no expressed provision authorizing the use of HUD or other executive agency employees. The conference substitute conforms to the Senate provision.

Effective date

The Senate bill contained a provision not in the House bill making the National Flood Insurance Act effective 120 days after enactment unless the Secretary extends the date to a maximum of 180 days. The conference substitute includes the Senate provision.

TITLE XIV—INTERSTATE LAND SALES

This title includes title XIII of the Senate bill with two amendments. "The Interstate Land Sales Full Disclosure Act" requires developers and promoters selling or leasing 50 or more unimproved lots pursuant to a common promotional plan to file a registration statement, called a "statement of record" with the Secretary of Housing and Urban Development. The statement of record must disclose all material and legal information relating to the property. The purpose of full disclosure is to deter or prohibit the sale of land by use of the mails or other channels of interstate commerce through misrepresentation of material facts relating to the property. A property report, which would include part of the statement of record, must be submitted to the purchaser who may revoke the contract if it is not submitted. He may also revoke the contract within 48 hours after signing if the report was submitted within 48 hours before the signing. The revocation authority does not apply where the purchaser has received the report and inspected the lot and so acknowledges such by signature.

The conference substitute adopted all the exemptions contained in the Senate bill with one exception: Section 1403(a)(10) provides that, absent any purpose to evade the provisions of the title, the sale or lease of real estate is exempt where the purchaser or his or her spouse has personally inspected the lot purchased. However, to gain the exemption, the real estate must be free and clear of liens, encumbrances, and adverse claims. The latter terms are not intended to include property reservations which land developers commonly convey or dedicate to local agencies or public utilities and do not include taxes and assessments which constitute liens on the property before they are due and payable.

Notwithstanding the specific exemptions contained in section 1403, the conferees agreed that the Secretary has the discretion to exempt sales which would be technically

covered but are intrastate or almost entirely intrastate in nature. An example would be where a few out-of-State purchasers buy lots only being offered for sale within the State of the land's location or in nearby communities.

The bill also contains provisions directing the Secretary to cooperate with States which have comparable disclosure and registration laws. The Secretary may accept for filing, the registration statement required by such State law.

Unless the Secretary finds material error in the statement of record the latter becomes effective upon the 30th day following filing. The Secretary is authorized to file suits to enjoin the sale of lots in violation of title XIV; and appropriate relief, including damages, is provided purchasers of lots who are victimized because of fraud or material misrepresentation in the required disclosures.

The conference substitute provides that this title will be effective 270 days after enactment, rather than 180 days after enactment as provided in the Senate bill.

TITLE XV—MORTGAGE INSURANCE FOR NONPROFIT HOSPITALS

Mortgage insurance for existing hospitals

The House amendment contained a provision permitting the insurance of a mortgage to provide permanent financing or refinancing of existing indebtedness for a hospital lacking permanent financing if construction was completed after 1965 and before the date of enactment. The Senate bill did not contain this provision. The conference report retains the House language with an amendment providing that mortgage insurance not exceeding $20 million at any one time will be available for this provision.

Equipment mortgage

The House amendment contained a provision providing that the maturity of a mortgage covering equipment could not exceed a reasonable use expectancy of the equipment. There is no such provision in the Senate bill, and none is contained in the conference report.

TITLE XVI—TEN YEAR HOUSING PROGRAM—HOUSING GOALS AND ANNUAL HOUSING REPORT

Declaration of purpose

The House amendment contained a provision that the Congress finds that the Nation's housing supply is not increasing rapidly enough to meet the national housing goal—the "realization as soon as feasible, of the goal of a decent home and a suitable living environment for every American family"; the Congress reaffirms this goal and determines that it should be met within the next decade by the construction or rehabilitation of 26 million housing units including 6 million for low- and moderate-income families. The conference report contains the House language with an amendment that states that this goal should be substantially achieved within the next decade.

Report outlining plan

The Senate bill contained a section adding new provisions to the housing laws requiring the President to submit a report, not later than January 15, 1969, containing a 10-year plan for the national housing needs, along with legislative recommendations for fulfilling these needs. The House amendment contained no provision. The conference report contains the Senate language.

Periodic reports

The Senate bill contained a provision requiring annual reports to be made by the President on January 15, 1970, and on each succeeding year through 1978 showing the progress made under the plan and the reasons why, if any, the goals set forth in the plan have not been reached along with the estimates of the need for the following year. The House amendment contained a provision directing the Secretary of HUD to submit annually to the President and the Council of Economic Advisers a report containing an estimate of the number of standard housing units produced in the preceding year, the number of such units produced for low- and moderate-income families, his assessment of whether the 10-year housing goal is being met, his recommendation of the current annual goal, and his recommendations of the legislative and administrative actions required to achieve the 10-year housing goal. The conference report contains the Senate language with an amendment requiring the Secretary of HUD to submit his legislative recommendations and the administrative actions required to achieve the 10-year housing goal. The conference report also contained an amendment providing that funds available for studies of housing markets and credit as authorized by section 301 of the Housing Act 1948 and section 602(a), the Housing Act of 1966, shall be available for expenses of the commission established by Public Law 90–301 including the report required to be rendered by such commission.

TITLE XVII—MISCELLANEOUS

Advances in technology

The Senate bill contained a provision authorizing research contracts for periods of up to 4 years instead of the presently authorized 2-year period. The House bill limited contracts to 3 years. The conference substitute conforms to the Senate bill.

The Senate bill also directed the Secretary to require to the greatest extent feasible employment of new and improved technology in programs administered by HUD. This provision which was not in the House bill is included in the conference substitute.

Housing for the elderly

The House amendment contained a provision amending the Davis-Bacon Act prevailing wage requirements on the direct loan program for housing for the elderly to permit waiver of these requirements only where persons involved donate their services without any compensation. There was no comparable provision in the Senate bill and none is contained in the conference substitute.

The House bill authorized refinancing of FHA section 231 housing for the elderly projects where commitments were issued prior to July 1, 1967, under the section 202 direct loan program for the elderly. There was no comparable provision in the Senate bill and none is contained in the conference substitute.

Savings and loan industry

Investment authority for Federal savings and loans

(a) The House amendment contained a provision authorizing Federal savings and loan associations to invest in loans secured by investments in which the association has statutory authority to invest directly. The Senate bill contained a similar provision authorizing Federal savings and loan associations to invest in loans to federally supervised financial institutions secured by investments in which the association has direct authority to invest. The conference report contains the Senate language with an amendment authorizing such loans to any broker or dealer registered with the Securities and Exchange Commission.

(b) The Senate bill contained a provision not in the House amendment authorizing federal savings and loan associations to invest up to 1% of assets in AID guaranty loans to developing countries outside of Latin America. The conference substitute contains the Senate provision.

(c) The Senate bill contained a provision not in the House amendment authorizing savings and loan associations to make loans not exceeding $5,000 to finance new structures related to residential uses. Conference substitute contains the Senate provision.

(d) The House amendment contained a provision authorizing loans not exceeding $5,000 for equipping real property. The conference substitute retains this provision but it is the intention of the conferees that the term "equipping" refers to fixtures attached to the realty.

Authority for savings and loans to raise capital

The House amendment contained a provision authorizing federal savings and loan associations to raise capital in the form of savings deposits or other accounts or to borrow or issue bonds or other securities. The conference substitute includes this provision but it is the intention of the conferees that any debentures or other debt instruments issued under this authority should always be subordinated to the withdrawable or face value of savings accounts authorized under section 5(b)(1) of the Home Owners' Loan Act of 1933. Such obligations would not be eligible for insurance, and it is expected that the Board will require sellers of any such instruments to make full disclosure to purchasers consistently with the requirements of Federal securities laws.

Federal Reserve Act

The Senate bill contained a provision:

(1) changing the present 24-month limit on construction loans to 36 months;

(2) permitting national banks to continue to purchase participations in existing mortgages; and

(3) providing that loans by national banks shall not be considered real estate loans where a bank looks primarily for repayment out of income of borrowers or security other than real estate even though a bank take a mortgage on real estate as additional security for loan.

The House amendment contains no provision. The conference report contains the Senate language.

Corporate status of low rent public housing

The Senate bill contained a provision not in the House amendment eliminating the present corporate status of HUD's public housing entity and providing for the retirement of that entity's $1 million capital stock. The conference substitute includes the Senate provision.

Special studies of savings and loan industry

The Senate bill contains a provision extending for one year, until 1969, a study of the savings and loan industry authorized by The Second Supplemental Appropriations Act of 1966. The House amendment contained no provision. The conference report contains the Senate language.

The Trust Territory of the Pacific Islands

The Senate bill contained a provision including the Trust Territory of the Pacific Islands in the definition of the term "United States" thereby extending the provisions of the Small Business Act to such Territory. The House contained no provision. The conference report contains the Senate language.

WRIGHT PATMAN,
WILLIAM A. BARRETT,
LEONOR K. SULLIVAN,
HENRY S. REUSS,
THOMAS L. ASHLEY,
WILLIAM S. MOORHEAD,
WILLIAM B. WIDNALL,
FLORENCE P. DWYER,
GARRY BROWN,
Managers on the Part of the House.

HOUR OF MEETING ON WEDNESDAY, JULY 24, 1968

Mr. ALBERT. Mr. Speaker, I ask unanimous consent that when the House adjourns today it adjourn to meet at 11 o'clock tomorrow.

The SPEAKER. Is there objection to the request of the gentleman from Oklahoma?

Senate July 25, 1968

10. ROADS. Received the conference report on S. 3418, the proposed Federal Aid Highway Act of 1968 (H. Rept. 1799) (pp. H7596-606, H7483). The bill as reported by the conferees authorizes $33 million for forest highways, and $170 million for forest development roads and trails, for each of the fiscal years 1970 and 1971 (p. H7597). The bill defines a "forest road or trail" as a road or trail wholly or partly within or adjacent to and serving the national forests and other areas administered by the Forest Service. Defines "forest development roads and trails" as those forest roads or trails of primary importance for the protection, administration, and utilization of the national forests and other areas administered by the Forest Service or, where necessary, for the use and development of the resources upon which communities within or adjacent to the national forest and other areas administered by the Forest Service are dependent. Provides that "Construction estimated to cost $15,000 or more per mile or more per project with a length of less than one mile, exclusive of bridges and engineering, shall be advertised and let to contract. If such estimated cost is less than $15,000 per mile or $15,000 per project for projects with a length of less than one mile or if, after proper advertising, no acceptable bid is received or the bids are deemed excessive, the work may be done by the Secretary of Agriculture on his own account." (p. H7598)

For relocation assistance, provides that "Any displaced person who moves or discontinues his business or farm operation who elects to accept the payment authorized...may receive a fixed relocation payment in an amount equal to the average net earnings of the business or farm operation, or $5,000, whichever is the lesser."

Broadens the present law authorizing repair or reconstruction of highways damaged by catastrophe so as to include other than natural (as well as natural) disaster and to permit payment of up to 100% of replacement costs. Requires the Transportation Department to cooperate with Agriculture and other departments concerned in planning projects so as to preserve natural beauty.

11. POSTAL SERVICE. Rep. Berry criticized the probability of the closing of rural post offices. pp. H7594-5

12. TRANSPORTATION. Rep. Schwengel protested the distribution of an "anonymous 'fact sheet' purporting to refute the views of Members of Congress" on the bill to increase the weight and width limitations of trucks on the Interstate Highway System and stated the American Trucking Association later admitted it had "authored and distributed" the sheet (p. H7596). Rep. Schwengel also inserted the sixth chapter of Dr. Fuller's dissertation, "The Effects of Increased Size and Weight Standards on the Public and Social Costs of Motor Carriage." pp. H7608-623

SENATE

13. FISHERIES. The Commerce Committee reported without amendment S. 3866, to extend the Commercial Fisheries Research and Development Act of 1964 (S. Rept. 1457). p. S9356

14. RECREATION. The Commerce Committee reported without amendment H. R. 11026, to amend the act of Sept. 15, 1960, to develop and enhance recreational opportunities and improve the fish and wildlife programs at reservations covered by said act (S. Rept. 1458). p. S9356

15. APPROPRIATIONS. The Appropriations Committee reported with amendments H. R. 17522, making appropriations for the Departments of State, Justice, and Commerce, the Judiciary, and related agencies for fiscal year 1969 (S. Rept. 1459) (p. S9356).

16. MILK. Conferees were appointed on S. 3638, to extend for three years the authority of the Secretary of Agriculture to make indemnity payments to dairy farmers for milk required to be withheld from commercial markets because it contains residues of chemicals registered and approved for use by the Federal Government (pp. S9360-1). House conferees have not been appointed.

17. HOUSING. Agreed to the conference report on S. 3497, the housing bill (pp. S9398-9408). The revised bill provides as follows:

Sec. 101 adds a new Sec. 235 to the National Housing Act to provide Federal assistance for home ownership by lower-income families. Under the new program, HUD could enter into contracts to make periodic payments to lenders who make Federal Housing Administration insured home mortgage loans to eligible lower-income families in order to bring the required monthly payments within their ability to pay. Authority to administer portions of this section will be delegated by HUD to the Department of Agriculture.

Sec. 201 adds a new program of Federal assistance to rental and cooperative housing for lower-income families. This program is authorized in a new sec. 236 of the National Housing Act. The assistance is to be in the form of periodic payments to the mortgagee to reduce the mortgagor's interest cost on a market rate mortgage financing the project. Phases of this program that are mutually agreed upon between the Secretaries of HUD and Agriculture will be administered in rural areas by the Department of Agriculture.

Sec. 601 amends the comprehensive planning provisions of Sec. 701 of the Housing Act of 1954 to provide financial and technical assistance for district planning covering rural and other nonmetropolitan areas. In carrying out this responsibility, the Secretary of HUD is required to consult with the Secretary of Agriculture prior to his approval of any district planning grant under subsections (a)(6) and (g) of Sec. 701 as amended. The Secretary of Agriculture is authorized to provide technical assistance in connection with the establishment of planning districts by the Secretary of HUD and in the carrying out of planning by such districts.

Title X broadens Title V of the Housing Act of 1949 in the following ways:

(1) A new Sec. 521 authorizes loans in rural areas at reduced interest rates within the payment ability of low and moderate-income persons and families to provide them with occupant-owned, rental, or cooperative housing which cannot be financed under new Secs. 235 and 236 of the National Housing Act. Any interest supplement necessary to market insured loans is to be paid from, and reimbursed by annual appropriations to, the Rural Housing Insurance Fund.

(2) Eligibility for rural housing loans and for occupancy of cooperative and rental housing is broadened to include nonrural residents of low and moderate income employed in rural areas.

(3) A new program for rural trainees is authorized which enables this Department to make available financial and technical assistance for housing, rooms and buildings for training purposes, and related facilities for rural trainees enrolled in Federally assisted training courses. Loans, with or without interest, and nonrepayable advances may be made to States and their political subdivisions, and to public or private nonprofit organizations. The new authority may be used only after consulting with Labor, HEW, HUD, and OEO and after determining that the housing and related facilities cannot reasonably be provided in any other way.

(4) A new program is authorized to enable the Farmers Home Administration to make grants to approved public and private nonprofit organizations to provide technical and supervisory assistance for low-income families in carrying out self-help housing projects. In addition, two-year loans may be made to public or private nonprofit organizations to buy and develop land as building sites that may be sold to families, nonprofit organizations, or cooperatives eligible under new Sec. 521 of the Housing Act of 1949 and new Sec. 235 or 236 of the National Housing Act. Also included is authority to make loans to individuals participating in a mutual self-help program.

(5) The eligible purposes of domestic farm labor housing loans are broadened to include the purchase of necessary land for building sites.

18. OCEANOGRAPHY. Conferees were appointed on H. R. 13781, to amend title II of the Marine Resources and Engineering Development Act of 1966 (p. S9429). House conferees have been appointed.

19. NOMINATION. Confirmed the nomination of Edward C. Sylvester, Jr., of Mich., to be an Assistant Secretary of Health, Education, and Welfare. p. S9436

20. EMPLOYMENT. The Armed Services Committee voted to report (but did not actually report) H. R. 1093, providing employment rights and benefits under the Universal Military Training Act to certain former servicemen. p. D739

21. TAXATION. The Finance Committee voted to report (but did not actually report) H. R. 2767, to allow farmers an amortized tax deduction for assessments levied by soil or water conservation districts. p. D740

Sen. Hartke inserted an article supporting his Apr. 2 statement that "tax increases at this time tend more toward killing than curing the patient." p. S9390

22. FOREIGN AID. The "Daily Digest" states the Foreign Relations Committee "ordered favorably reported with amendments H. R. 15263, fiscal 1969 authorizations for the foreign aid program." The "Daily Digest" contains a table

giving a breakdown of the committee's action compared to fiscal 1968 figures, fiscal 1969 requests, and House-passed figures. p. D740

Sen. Moss opposed "attempts to cut further the funds which benefit foreign nations." pp. S9389-90

Sen. Morse reversed his position to prevent early consideration of the foreign aid authorization bill. pp. S9397-8

Sen. Proxmire inserted a summary prepared by a former USDA employee whose premise is that "industrialization" is important to developing nations that must offer employment to those displaced by agricultural modernization. pp. S9381-2

23. TRAINING. Received from Civil Service Commission a proposed bill "to amend title 5, United States Code, to repeal the reporting requirement contained in subsection (b) of section 1308" regarding Agency training reports to the President and the Congress; to Post Office and Civil Service Committee. p.S935

24. GRAINS. Sen. Symington inserted a portion of an article which states, "The spread between what we pay for bread and what the farmer gets for his grain is at a new peak of 18.9¢." p. S9381

25. HOLIDAYS. Sen. Smathers commended the Monday-holiday law and inserted an article, "Monday-Holiday Benefits." pp. S9384-5

26. EDUCATION. Sen. Spong called for the Bureau of the Budget to release funds to the Office of Education for obligation to aid the operation of schools in areas with large numbers of Federal employees. p. S9431

27. LEGISLATIVE PROGRAM. Sen. Mansfield announced the intention for the Senate to consider the bill to amend the assault statute when the pending business is disposed of. p. S9428

EXTENSION OF REMARKS

28. TAXATION. Rep. Curtis inserted an article alleging that the deflationary benefits of the recent tax increase will be lost unless price and wage restraint is soon adopted. p. E6927

29. FARM PROGRAM. Rep. Reifel inserted editorials which state that Rep. Harrison has charged that the Johnson Administration is waging an "unpublicized war on agriculture." pp. E6930-2

30. OPINION POLL. Reps. Eshleman, Grover and Harvey inserted newsletters and the results of opinion polls which contained items of interest to this Department pp. E6943, E6949, E6946

31. MEAT INSPECTION; IMPORTS. Rep. Kleppe charged that this Department does not have enough meat inspectors abroad to insure that imported meats comply with the same standards set for domestic meats. pp. E6946-7

even the administration recommendation will be rejected.

Mr. MAGNUSON. Mr. President, will the Senator yield to me for one-half minute?

Mr. WILLIAMS of Delaware. If I have the time, I yield to the Senator from Washington.

The PRESIDING OFFICER (Mr. DODD in the chair). The Senator from Washington is recognized.

Mr. MAGNUSON. Mr. President, I have no idea what the Committee on Appropriations will do in connection with this matter.

We should understand that this was a House increase. The Committee on Appropriations is meeting today and is marking up the appropriation for State, Commerce, and Justice. I have no idea what they will put in it.

Mr. WILLIAMS of Delaware. Mr. President, the Senator is correct. It was a House figure. However, if the Senate approves this conference report it becomes a Senate figure of $200 million. The conference report should be rejected.

The PRESIDING OFFICER. Does the Senator yield back the remainder of his time?

Mr. WILLIAMS of Delaware. Mr. President, I yield back the remainder of my time.

Mr. HARTKE. Mr. President, I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second? There is not a sufficient second.

The question is on agreeing to the conference report. [Putting the question.]

The conference report was agreed to.

Mr. MAGNUSON. Mr. President, I move to reconsider the vote by which the conference report was agreed to.

Mr. MORSE. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

INVESTMENT COMPANY AMENDMENTS ACT OF 1968

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the unfinished business be laid before the Senate.

The PRESIDING OFFICER. The bill will be stated by title:

The ASSISTANT LEGISLATIVE CLERK. A bill (S. 3724) to amend the Investment Company Act of 1940 and the Investment Advisers Act of 1940 to define the equitable standards governing relationships between investment companies and their investment advisers and principal underwriters, and for other purposes.

The PRESIDING OFFICER. Is there objection to the present consideration of the bill?

There being no objection, the Senate proceeded to consider the bill.

FOREIGN AID AUTHORIZATIONS

Mr. MORSE. Mr. President, I wish to make a very brief statement in regard to the foreign aid bill. Yesterday I made a statement on the floor of the Senate in which I said because of the status of the foreign aid authorization bill I did not think it should have early consideration on the floor of the Senate, and that I would not enter into any agreement for a limitation of time in regard to the bill.

We had our final session on the foreign aid bill this morning, and I want to say it was greatly improved over its status as of yesterday. It was so much improved that, in my judgment, it would not be fair for the Senator from Oregon, in his relationship with the leadership of the Senate, to seek to prevent early consideration of the bill. Any amendments that any of us wish to offer can be offered on the floor of the Senate once the bill is taken up on the floor of the Senate.

Mr. President, although the bill was not sufficiently improved so that I felt I could vote for it, the cut in military aid was a substantial improvement. I now want the RECORD to show that as far as I am concerned I am ready to have the bill come before the Senate at any time, and the leadership will receive my cooperation in an early consideration of the bill, including a unanimous-consent agreement to limit time for debate on the bill if the unanimous-consent agreement provides sufficient time, as I know it will, for adequate consideration of further amendments that will be offered.

I think we must realize the realities that face Congress. We should dispose of every bit of business we can before there is a temporary recess or adjournment pertaining to the holding of the Republican and Democratic Conventions. We will come back, I understand, after those conventions to consider a great deal of legislation and appropriations, including the foreign aid appropriation, that cannot be disposed of between now and the recess for the conventions.

CONFERENCES ON EDUCATION MEASURES

While I am on my feet, and in connection with a matter related to this subject—and I see the chairman of the Committee on Labor and Public Welfare in the Chamber—the indications are we will not be able to have any conferences on the two major education bills. They are the most detailed and massive of all the education bills we have ever considered. They are vital to passage before adjournment sine die, but there is practically no chance of getting a conference before the political conventions. The reason is that several of the conferees in the House side on the Republican side are leaving Sunday for Miami because they have important positions on convention committees, and they are needed there to make plans for the Republican Convention. Therefore, we have reached an impasse for any conference because the House, as of this morning, had not taken final action on the education bill; conferees had not been appointed on the vocational bill and those on the higher education bill could not be appointed until that bill is passed.

With these Republican leaders leaving Sunday, and we have learned there is no hope of a conference tomorrow, nor could the matter be handled in one day, I am confident that the conference on higher education will not occur until after both conventions.

At the same time, there is no chance for a conference on the vocational education bill.

FOREIGN AID AUTHORIZATION

Therefore, because we have those major pieces of legislation, the Supreme Court matter, gun control legislation, and other vital matters, we cannot possibly get to before the conventions, we could, here in the Senate, get to the foreign aid bill if it is decided to bring it up.

The Senator from Oregon now makes clear once again that I will not be an impediment to my majority leader and the minority leader in the earliest possible consideration of the foreign aid authorization bill now that it has been reported by the Committe on Foreign Relations in much better substantive form than it was in at the close of the markup yesterday, following which I came to the floor of the Senate and expressed my strong disapproval of the bill in that form. It was greatly improved this morning by the action taken.

Therefore, let the RECORD show that I would be willing at any time before or after the conventions to proceed to the consideration of the foreign aid bill and agree to a reasonable unanimous-consent agreement for limitation of time on that bill.

Mr. MANSFIELD. I appreciate the statement just made by the distinguished Senator from Oregon. It will take a little of the load off my shoulders.

Mr. MORSE. Mr. President, I ask unanimous consent that there be printed in the RECORD at the end of my remarks a letter which I have received from Mr. John J. Sheehan, legislative director of the United Steelworkers of America, together with a recent article which Mr. Sheehan enclosed from the newspaper, Steel Labor, headed "Helping Build Latin America's Alliance."

The article describes the work of the American Institute for Free Labor Development and particularly the support which AIFLD receives from the United Steelworkers.

Mr. Sheehan's letter to me was prompted by the recent publication by the Subcommittee on American Republics Affairs of the study "Labor Policies and Programs." This study was prepared by the staff of the Committee on Foreign Relations as a part of the subcommittee's overall survey of the Alliance for Progress. The staff study, together with a report of the Comptroller General which was published at the same time, raises basic questions concerning the role of the AIFLD and U.S. policies toward Latin American labor.

At this time, I want to repeat what I wrote in the foreword to the study—namely, that the study and the General Accounting Office report "are published at this time solely as the basis for discussion and further inquiry. The points of view expressed do not necessarily reflect the opinions of the subcommittee or any member thereof."

I am glad to receive Mr. Sheehan's contribution to the discussion on behalf of the United Steelworkers. The problems of U.S. policies and program concerning Latin American labor will undoubtedly receive further attention from the Subcommittee on American Republics Affairs in the months ahead as the

subcommittee pursues its survey of the Alliance for Progress.

There being no objection, the letter and article were ordered to be printed in the RECORD, as follows:

UNITED STEELWORKERS OF AMERICA,
Washington, D.C., July 19, 1968.

Hon. WAYNE MORSE,
U.S. Senate,
Washington, D.C.

DEAR SENATOR MORSE: The recent study of the staff on Labor Policies and Programs in Latin America casts extreme doubt on AIFLD's union-to-union co-operation. A recent article in our newspaper, *Steel Labor,* emphasizes the value which we have placed upon the work of AIFLD. If possible, I should like to request that the article be placed in the Congressional Record.

Sincerely,

JOHN J. SHEEHAN,
Legislative Director.

Enclosure.

[From Steel Labor, July, 1968]

HELPING BUILD LATIN AMERICA'S ALLIANCE

From remote jungle settlements and inaccessible mountain villages high in the Andes to the great metropolitan centers of South and Central America and the Caribbean, hundreds of thousands of trade union members are participating in the peaceful revolution known as the Alliance for Progress.

Undoubtedly one of the greatest revolutionary movements of social reform and economic reconstruction in history, the Alliance for Progress has enlisted USWA members among many from North American trade unions in the program to introduce industrial democracy to Latin America. With an often violent tradition of military coups, ruling oligarchy and exploitation by bigger powers, the challenge has been great.

The trade union phase of this democratic revolution is being mobilized openly and frequently with the full support of the governments involved as well with significant support from enlightened local business interests. Signs and banners being publicly displayed today at hundreds of trade union schools, labor seminars and varied social projects benefiting workers throughout Latin America and the Caribbean area identify the rallying point of the inter-American labor movement's participation by its Spanish initials—"IADSL."

The organization thus identified is the American Institute for Free Labor Development, a unique undertaking set up by the AFL–CIO in 1962 which is supported jointly by labor, business and government. The Institute was created by the United States labor movement as a vehicle through which it could lend its support to the objectives of the Alliance for Progress by helping Latin American workers build strong, free and democratic trade unions, so that they will be able to win higher wages, raise their standards of living and participate more fully in the benefits of their countries' development.

AIFLD is unique in many ways. Although only six years old this June, it already has become the largest institution of adult and worker education in Latin America with national institutes in 21 countries and a graduate school in operation the year round at Front Royal, Va. It is one of the largest builders of low-cost workers' housing in the southern half of the hemisphere, having already completed or begun construction on new modern homes for over 65,000 people and with units to house about 11,000 more in various stages of preparation. Its housing operations are only one phase of its varied social projects activities, which involve literally hundreds of projects ranging from the construction and operation of Campesino Service Centers serving thousands of rural workers, to small community service undertakings.

In the field of finance, it helped to establish the first workers' housing bank in Latin America, a multi-million dollar institution which already has become the fastest growing savings and loan association in Peru. AIFLD's strength and effectiveness stems from the fact that it operates on a worker-to-worker basis, seeking to make available the greater resources, experience and leadership skills of the United States labor movement to the workers of Latin America and the Caribbean in their efforts to build their own strong and independent unions. The Institute is engaged in a widely varied program of direct assistance to workers and their organizations, all on a self-help basis.

Where a lack of funds is hampering unions' plans for a headquarters and meeting hall, a clinic or other projects, AIFLD technicians are helping them to work out means for their realization. This may involve aid in establishing a credit union, or a consumers' or producers' cooperative where funds can be saved or earned or even a great workers' housing bank such as one in Peru which already has deposits of millions of dollars and has financed more than 500 housing units for its members. Other AIFLD technicians and graduates of its labor leadership training schools are showing workers how they can help their communities to meet their needs on a self-help basis by enlisting voluntary labor.

Are campesino villages lacking in medical care? AIFLD technicians, working with the Union of Nurses in Honduras, for example, have enlisted the voluntary services of doctors and nurses and donations of medicines from local manufacturers, for regular Sunday visits of medical brigades to these communities. Is a rural town being economically handicapped by its lack of an access road or a bridge? AIFLD representatives have repeatedly enlisted the workmen of such places to contribute the labor and other self-help needed to overcome this handicap.

In every case, the project is sponsored by a local union of workers, and AIFLD supplies the necessary technical know-how and other help needed. The entire program of the Institute rests on the concept that United States workers, having common problems, can best understand and help working people in these other countries. From the beginning, the United Steelworkers of America has lent its full support to the AIFLD and its programs. USWA President I. W. Abel is a member of the Institute's Board of Trustees, and four members of the Steelworkers currently hold responsible posts of leadership on its staff. In addition, USWA International Affairs Director Meyer Bernstein and USWA Legislative Director John Sheehan both regularly serve as guest lecturers at AIFLD's graduate Front Royal Institute.

At the Washington headquarters, Angelo Verdu, formerly a staff representative for the Steelworkers, has been actively directing the Institute's far-flung operations as assistant to the administrator for the last 15 months, and Sam Haddad, former Steelworker organizer and ex-president of Local 4194 in New Castle, Pa., was the Institute's first director of education and now serves as regional director over the northern region and the Caribbean area. In these posts, Verdu and Haddad exercise general administrative authority over most of the Institute's operations.

Two other Steelworkers today are serving in important field assignments. Robert Cazares, from Local 1011, East Chicago, Ind., now is the Institute's education officer in Peru, following previous assignments in El Salvador, Argentina and Costa Rica. Michael Verdu, a former member of the Steelworkers in Salt Lake City, Utah, is presently serving as AIFLD's program officer in the Dominican Republic. Another Steelworker, Raymond Sarocco, staff member from the Chicago area, has been program officer in Sao Paulo, Brazil, until recently when the program was completed.

By the end of 1967, AIFLD had spent approximately $16 million in carrying out all of its various programs, and loans arranged by the Institute to finance its various workers' housing projects in some 14 countries are expected ultimately to involve a total additional investment of $65 million. All of this money has been provided for the free trade unions of Latin America and their members under a direct union-to-union program, with no strings attached.

Mr. MANSFIELD. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

HOUSING AND URBAN DEVELOPMENT ACT—CONFERENCE REPORT

Mr. SPARKMAN. Mr. President, I submit a report of the committee of conference on the disagreeing votes of the two Houses on the amendment of the House to the bill (S. 3497) to assist in the provision of housing for low- and moderate-income families, and to extend and amend laws relating to housing and urban development. I ask unanimous consent for the present consideration of the report.

The PRESIDING OFFICER. The report will be read for the information of the Senate.

The assistant legislative clerk read the report.

(For conference report, see House proceedings of July 23, 1968, pp. H7278–H7320, CONGRESSIONAL RECORD.)

The PRESIDING OFFICER. Is there objection to the present consideration of the report?

There being no objection, the Senate proceeded to consider the report.

PRIVILEGE OF THE FLOOR

Mr. SPARKMAN. Mr. President, I ask unanimous consent that members of the staff of the Committee on Banking and Currency and the Subcommittee on Housing be allowed the privilege of the floor.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. SPARKMAN. Mr. President, I submit a report of the committee on conference on the disagreeing vote of the two Houses on S. 3497, the Housing and Urban Development Act of 1968. I ask unanimous consent for the present consideration of the report.

Mr. President, I should like to make a statement on the conference report on the housing bill. I do not believe it necessary that my remarks be in great detail because there is a printed report on the desk of each Senator giving full text of the agreed-upon legislation and a statement of managers on the part of the House, explaining the differences between the House bill and the legislation agreed to in conference.

Before I comment on the details, I want to say how pleased I am with the fine job done by the members of the conference committee from both Houses of Congress.

Despite the fact that the bill approved by each House of Congress was basically the same, there were significant differences of a total of 64 items, some of which had many subtopics which had to be resolved by the conferees.

Each year as the Congress takes up housing legislation, we are made more aware of the increasing complexities of housing and urban development legislation. This year, the housing bill was the most comprehensive and far-reaching bill that the Congress has ever considered. The Senate bill contained 15 titles; the House bill contained 14 titles; and the conference committee finally agreed on a bill containing 17 titles.

In resolving the differences, the conference committee worked together with speed, and a spirit of good will and cooperation. However, as conferees usually do, there were compromises between the two sides. On the part of the Senate, we remained adamant on several items, and the same thing was true with the House. All in all, the conferees were satisfied that the final product represented the best interests of all concerned, and I am pleased to report that every member of the conference committee signed the report.

I would like now to comment on some of the significant items which were in conference.

One of the most significant provisions of the bill is the homeownership program for lower-income families which, provides Federal assistance to enable lower-income families to become homeowners. Under this new program, interest subsidy payments would be made to help lower income families meet their monthly housing costs. The primary difference between the Senate and House passed bills involved the eligibility as far as family income was concerned. The House bill limited eligibility to families whose incomes did not exceed 130 percent of the local public housing continued occupancy level. The Senate limited eligibility to families whose incomes did not exceed 70 percent of the level established under the FHA section 221(d) (3) below market interest rate program in a particular locality. Also allowances of $300 were made for each minor child and 20 percent of the funds appropriated would be made available to families whose income were in excess of the basic level mentioned above. The conferees agreed on a compromise which limits eligibility to families with incomes not in excess of 135 percent of public housing admission levels with an allowance of $300 per minor child and authority for 20 percent of the funds to be available for families whose incomes are in excess of the basic level but not exceeding 90 percent of the 221(d) (3) BMIR levels.

Admittedly, this is a complex formula, but the main intent is to limit the benefits of this program to families of the lower income category and, in fact, the law specifies that priority will be given, insofar as practicable, to the lowest income families who can achieve homeownership under the program.

Another item of significant difference between the Senate and House bills involved eligibility of the interest subsidy program to families purchasing existing standard housing. Both Houses agreed that the primary emphasis of the program was to provide subsidy for families purchasing new or rehabilitated housing. The Senate bill permitted a small part of the funds to go to families who would buy existing standard housing; the House bill placed no limit on the amount of funds which could be used for this purpose. The conferees agreed to the Senate version.

Similar issues were faced by the conference committee in resolving the differences under the new rental housing program for lower income families. This program, which provides an interest subsidy to lower income families for rental housing, was made consistent with the corresponding income ceiling provision contained in the new homeownership program. Existing public housing and rent supplement programs were also broadened to make them more flexible and more workable under today's housing conditions.

Under the Federal Housing Administration insurance operations, I should like to mention two significant items. The Senate bill contained an authorization for FHA to insure mortgages for the financing of seasonal homes. The House bill contained no similar provision. During discussion of this item, the Senate conferees pointed out that authority would be limited to certain areas where there was no shortage of mortgage credit for year-round housing and that such housing would contribute to the economic development of the areas. The House conferees accepted the Senate provision.

The other item about which there was a great deal of discussion involved authority of the FHA to deduct discounts in paying insurance claims under certain circumstances. This was an amendment proposed on the Senate floor which I agreed to take to conference with the understanding that I would consult with the mortgage credit and homebuilding industries and Government officials and to determine what difficulties, if any such a provision would impose upon the FHA programs.

Very strong objections were made both by Government officials and by all segments of industry, who claimed that such a provision would place a serious cloud over the FHA program, the result of which would be to reduce the amount of mortgage credit available for this program upon which we are depending so much to carry out our 1968 housing bill. Because of the way the provision would work, there is very little possibility that it would in any way deter the discount practices now current in FHA mortgage lending. The only possible benefit of this provision would be to deter unscrupulous mortgage lenders who might be tempted under current conditions to engage in precipitous foreclosures in order to reap a profit. We were assured by the FHA Commissioner that he already had adequate statutory and administrative procedures to eliminate this kind of unscrupulous practice and that the provision in the Senate bill would not be necessary. In view of these considerations, the Senate conferees had no choice but to recede on this provision.

The Senate bill contained authority for the Housing Department to finance the deveolpment of new communities by the issuance of FHA-insured bonds. The House bill contained no similar provision, and the conferees agreed to accept the Senate provision with some minor amendments.

Under the urban renewal provisions of both bills, the most significant item involved the extent to which the rebuilding of urban renewal areas would be of primary benefit to families of low and moderate income. Both bills required that a majority of housing built in urban renewal projects be for low and moderate income families. However, the House bill contained a further requirement that 20 percent of such housing within any one community should be for families of low income. The conferees agreed with the House provision with an amendment that the 20-percent requirement would not be mandatory in any community if the Secretary of Department of Housing and Urban Development made a finding that such housing was not necessary.

The principal difference in the Senate and House bills relating to the expansion of the Federal National Mortgage Association to establish a new privately oriented facility, was the amount of special assistance authorization. The Senate bill authorized $250 million while the House bill authorized $500 million. The conferees agreed to the provision in the House bill.

Under the 701 urban planning program, both the Senate and House bills contained a provision which permitted the use of this program for the development of rural districts. The primary purpose of this is to encourage the development of small towns and rural areas to provide better living and working conditions, the effect of which will be to take a great deal of pressure off the cities by reducing the constant migration from rural areas to the cities. The differences between the two bills involved the eligibility of certain areas already being given Government support. The conferees in general agreed with the House provision.

On the rural housing program, the principal difference between the two bills involved a self-help provision in the House bill not contained in the Senate bill. Such a provision would authorize financial assistance to enable families to build their own communities and homes with technical assistance provided by the Department of Agriculture. The Senate receded to the House on this provision.

One important provision contained in the House bill but not in the Senate bill authorized a new program of FHA insurance for the construction of nonprofit hospitals. The conference committee agreed to accept the House provision.

Under the urban insurance program, the principal difference between the House and Senate versions involved the establishment of a national insurance development corporation to administer the program which was contained in the Senate bill. The House bill did not include such a provision, but provided that the program would be administered

within the Department of Housing and Urban Development. The conferees agreed that the program would be administered within HUD and provided that a Federal Insurance Administrator would be appointed to administer the urban insurance and the flood insurance programs.

Another item of significant difference under the urban insurance program and the flood insurance program was the matter of Treasury support to finance extraordinary losses which may occur. The Senate bill, under the urban insurance program, provided no limitation on the borrowing authority, whereas the House bill placed a $150 million limitation with authority to obtain further sums as may be determined by congressional joint resolution. The conferees agreed on a $250 million limitation on the Treasury borrowing authority with authority to obtain additional sums after agreement by the Congress.

On the same issue involving the flood insurance program, the Senate bill limited the Treasury borrowing authority to the unused balance under the Federal Flood Insurance Act of 1956. The House bill limited the borrowing authority to $150 million and rescinded the unused borrowing authority under the 1956 act. The conferees agreed to a limit of $250 million and, in addition, rescinded the unused borrowing authority in the 1956 act.

In addition to the conferees agreeing to a national urban insurance program, they agreed to a provision contained in the House bill making the District of Columbia eligible for benefits under the urban insurance program. By this action, the District of Columbia will be able to develop its own FAIR plan and establish a joint underwriting association to facilitate the provision of the basic property insurance program in the District of Columbia.

The Senate bill contained a new interstate land sales program which would provide that the Secretary of Housing and Urban Development develop procedures to register and supervise the sale of undeveloped land engaged in interstate commerce. Thert was no similar provision in the House bill and the conferees agreed to accept the Senate provision.

Both the House and Senate bills contained provisions involving expanded mortgage lending authority by financial institutions. A group of amendments in the Senate bill broadening authority of commercial banks to make mortgage loans was accepted by the House conferees and, correspondingly, several amendments in the House bill involving wider borrowing and lending powers by Federal savings and loan associations were accepted by the Senate conferees. The net effect of these provisions is to encourage both banks and savings and loan associations to increase their activity and provide more mortgage credit to finance the expanded housing needs of our Nation.

One Senate floor amendment which I took to conference with the promise that I would do all I could to get agreement from the House conferees involved Federal assistance for victims of natural disaster. The House conferees remained adamant on these items and the Senate had no choice but to recede.

Another provision in the Senate bill about which the House conferees remained adamant and on which the Senate conferees had to recede was section 1520 of S. 3497. Section 1520 concerned certain notifications which mortgage lenders would be required to give veteran mortgagors and also provided automatic cancellation of the VA guarantee on mortgages for failure to give much notices. This was another floor amendment that we had not had any opportunity to study and one that, after study, showed that it would not accomplish intended purposes and furthermore would place a cloud on VA home loan mortgages. I ask unanimous consent at this point in my remarks to place in the RECORD a letter to the chairman of the Veterans' Affairs Committee of the House of Representatives from the Administrator of the VA concerning this amendment was circulated to House conferees and after they understood the implications of the amendment, they were adamant about including section 1520 in the conference report.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

VETERANS' ADMINISTRATION,
OFFICE OF THE ADMINISTRATOR
OF VETERANS' AFFAIRS,
Washington, D.C., June 28, 1968.

Hon. OLIN E. TEAGUE,
Chairman, Committee on Veterans' Affairs,
House of Representatives,
Washington, D.C.

DEAR MR. CHAIRMAN: The following comments are submitted in response to your request for a report by the Veterans Administration on a Senate-adopted amendment to S. 3497, 90th Congress, which passed the Senate on May 28, 1968. The bill is designed "to assist in the provision of housing for low and moderate income families, and to extend and amend laws relating to housing and urban deevlopment." The amendment on which you requested a report directly relates to the Veterans Administration home loan program.

The provision, section 1520 of the bill, amends section 1817 of title 38, United States Code, which relates to release of liability of veterans to the VA on a GI home loan when he sells his home. Section 1817 presently provides that upon Application a veteran may be released from liability to the VA if (1) the loan is current, and (2) purchaser of the property qualifies from a credit standpoint and obligates himself to purchase such property and to assume full liability for repayment of the loan balance; and assumes by contract all of the obligations of the veteran under the terms of the instruments creating and securing the loan.

Section 1520 of S. 3497 would add a new subsection to section 1817 of title 38, United States Code, to assure that any veteran who disposes of his home will be informed of the release provisions of the present section 1817. Section 1520 contains three basic provisions. It would require the holder of the security instrument for a GI loan to advise the veteran "before such holder agrees to permit any third person to assume the obligations of the veteran under the terms of such instrument" that he has the right to a release of liability from the Veterans Administration and of the possible consequences of failure to obtain such release. It further provides that if the holder fails to give the veteran the required notification the VA guaranty will be cancelled. Cancellation of the guaranty would have the effect of releasing the veteran from any liability to the Veterans Administration. The notification requirements would apply to loans made, guaranteed, or insured after the enactment of this provision. A third provision of the amendment would require the Administrator of Veterans' Affairs to take whatever action he deems appropriate to enable all veterans to benefit from the notification procedures. This apparently would apply to loans previously made, guaranteed, or insured.

In assessing the impact of enactment of Section 1520 of S. 3497 it should be noted that the prime inducement to private lenders to invest in GI mortgage loans is the protection the VA guaranty affords investors against loss. As a practical matter, investors consider the VA guaranty of up to $12,500 to be the equivalent of a cash downpayment by the borrower. It is this guaranty protection that enables lenders to make 100% GI loans. Automatic loss of the VA guaranty by the holder by reason of failure to notify a veteran seller of his right to obtain a release of liability at a specific point in time introduces a new element of risk into GI loans which, so far as we know, does not exist in respect to any other comparable mortgage investment. Loss of the guaranty in the early years of a GI loan would have the result of leaving financial institutions such as banks and savings and loan associations with ineligible loans on their books as well as subjecting such holders to losses in many cases in the event of default by the borrower and consequent costs of foreclosure, property management, and resale. In our judgment there is the gravest possibility that many lenders would withdraw from participation in the GI loan program if section 1520 were enacted and would invest their available funds in other types of mortgages which do not contain the onerous element of risk imposed by such section.

For the same reasons it is our view that enactment would also adversely affect the marketability of GI loans in the secondary market with resulting reduction in investment funds normally channeled from this source into the GI program. Such loan purchasers who are willing to assume the risk would, prior to purchase, find it necessary to require proof that a property sale had not occurred or that the proposed requirements had been satisfied in the event of a sale. It is highly doubtful that many secondary market outlets would want to assume such burden.

In examining the specific language of section 1520 to determine the exact nature of the duties to be imposed upon the holders of GI loans the key language requiring interpretation is the clause reading "before such holder agrees to permit any third person to assume the obligation of the veteran under the terms of such instrument." It is not clear whether this is intended to apply only to a contractual obligation between the third person and the holder or is intended to include an assumption of the original veteran's liability to both the holder and the Veterans Administration. In addition, it is not clear how the specified language would apply to situations in which the purchaser from the veteran seller acquires the property "subject to" the mortgage indebtedness and does not assume direct personal liability on the debt.

Bearing in mind the apparent objective sought under section 1520 of the bill we can only conclude that the procedure prescribed for notification appears to be based on the assumption that a veteran who proposes to sell his property and allow his VA guaranteed mortgage to continue on the property must obtain the prior agreement of the mortgage holder "to permit any third person to assume the obligations of the veteran."

Neither the governing law nor VA regulations require any such agreement. As a matter of fact, section 1802(c) of chapter 37, title 38, United States Code, provides that nothing in the governing law shall preclude the assignment of any guaranteed loan or the security therefor. Consistent with such provision in the existing law, VA regulations provide, in effect, that a veteran may transfer his property to any person of his choice under any terms agreeable to the parties without the consent of the mortgage holder or this agency. We consider this freedom of alienability to be highly desirable generally, and particularly from the standpoint of the veteran homeowner.

Further, as a practical matter, the holder of the guaranteed mortgage often does not learn of the transfer of title to a purchaser until after the transaction has been completed. Permission for a third person "to assume the obligations of the veteran" at that point in time is not meaningful insofar as notification to the veteran of his right to apply for a release of liability from VA is concerned since no inducement or consideration exists for the new owner to assume the veteran's loan obligations (including his indemnity obligation to VA) once he owns the property. The VA's experience is similar with respect to its portfolio loans. In the light of the foregoing we believe that the proposed requirement for notification to the veteran seller by the holder of a GI loan at the point in time contemplated would not be feasible or productive in many, if not most, instances.

In connection with the problem to which the amendment is directed, it is appropriate to indicate the extent to which the VA goes in informing veterans of their rights to obtain a release of liability from the VA if and when they sell their homes. They are first advised through the issuance to them of VA pamphlets at the time they obtain their Certificate of Eligibility, which ordinarily is the first step taken by a veteran contemplating a GI loan. At the time a loan application is submitted the veteran acknowledges in writing that he understands his rights and obligations if he obtains a GI loan. Again, at the time the VA guarantees the loan a letter and VA pamphlets are sent to the veteran which contain information as to his rights and obligations, including the release of liability procedure. We have also instituted a procedure in cooperation with the Department of Defense whereby the latter has agreed to furnish servicemen who are to be transferred a copy of another VA pamphlet which contains advice concerning release of liability. Lastly, lenders are encouraged to advise veterans of their rights to obtain a release of liability from the VA through the use of this same pamphlet when they receive requests for "pay-off" figures or otherwise become aware that a veteran is contemplating selling his home.

In respect to direct loans, we furnish the veteran with the same information regarding the obligations he will assume, including the release of liability provisions, as is furnished veterans obtaining a guaranteed or insured loan. We also have instructed our field stations to furnish the veteran with information regarding release of liability whenever a request for "pay-off" information is received by us.

In addition to the foregoing, release of liability information is periodically made the subject of press releases and spot announcements in all available public media.

We believe the existing provisions of section 1817, title 38, United States Code, are sufficiently liberal and fair to both veterans and the Government and that veterans are being adequately advised of their right to obtain release from liabilty to the Veterans Administration.

If the amendment became law, it would have no fiscal impact on loans outstanding or on debts already established as a consequence of claims previously paid. It may have some fiscal impact several years in the future. Because of many unknown factors, however, it is not possible to accurately determine to what extent this may be.

Inasmuch as enactment of the proposed amendment is likely to have the effect of discouraging investor participation in the VA Home Loan Guaranty Program and thereby impair the ability of veterans to obtain GI home loan financing, we are unable to recommend favorable consideration of section 1520 of the Senate passed bill.

We are advised by the Bureau of the Budget that there is no objection to the presentation of this report from the standpoint of the Administration's program.

Sincerely,

W. J. DRIVER,
Administrator.

Mr. TOWER. Mr. President, the Housing and Urban Development Act of 1968 has traveled a long road prior to the point at which we find it today.

The bill's many innovative provisions represent an extended bipartisan effort since last summer to come to grips with the critical housing needs facing our country today, with a particular emphasis on housing families of low income.

The bill is a large one by any measure. While I am concerned with some of its provisions, both as to scope and potential cost, I have at all times during its formulation been equally concerned over the strong and compelling need made plainly evident to the Committee on Banking and Currency for an aggressive effort toward overcoming the problems of those families who must have assistance if they are to be decently housed.

The bill will create several innovative mechanisms that have the potential of assuring progress in this area. Government assistance will be available to qualified families for both occupant-owned and rental housing.

The national goal of a "decent home and a suitable living environment for every American family" has long been realizable for those of our citizens financially able to fulfill their housing needs. The promise of this bill is the realization of this goal for families in less fortunate financial circumstances.

While the means for progress in this area will be made possible by this bill, in the final analysis, we will have to look to the proper administering of its provisions. If the families who truly need assistance receive the bill's benefits, the deteriorated neighborhoods that these families are trapped in will be benefitted and upgraded at the same time.

This is the goal of this bill as I envision it. The fruition of this goal can be expected if the "declaration of policy" which prefaces the bill is adhered to, for it states that the new programs "are designed to assist families with incomes so low that they could not otherwise decently house themselves." It calls for the "highest priority" for these families.

If the new programs are implemented in this context, as I hope and expect that they will be, then the Government's role in housing will not be misdirected. Program implementation must be prudent in this regard.

We are a Nation whose people have historically housed themselves through their own efforts and initiative. This is the pattern that must be continued. Only where this is not possible should the Government enter the picture.

In spite of the reservations I have about some aspects of the bill, I believe that the good outweighs the evil. I fervently hope that the Senate will act favorably on the conference report, and I urge it to do so.

Mr. WILLIAMS of Delaware. Mr. President, will the Senator from Texas yield?

Mr. TOWER. I yield.

Mr. WILLIAMS of Delaware. When this bill was before the Senate a proposal was approved by a yea-and-nay vote—unanimously as I recall—which would have stopped the Federal Housing Administration from insuring the so-called point system, by spelling out that the mortgage company would be insured only up to the amount he actually paid for the mortgage. Will the Senator state what happened to that amendment?

Mr. TOWER. That amendment was discussed not once, but on two separate occasions during the course of the deliberations of the conference committee, which lasted over 5 days.

I assure the Senator from Delaware that the distinguished chairman of the committee [Mr. SPARKMAN] and I and other Senators tried to cause the Senate to prevail on this amendment. However, there was considerable fear on the part of the Members of the House that the amendment would have deleterious effect from the standpoint of the conduct of the program.

I think there was quite general agreement that we would like to see the point system ameliorated in some way. Although we lost to the House on this issue, I do feel that there is a favorable climate for the consideration in the future of some means of dealing with the point system.

Mr. WILLIAMS of Delaware. I am sorry we lost the amendment. I think this was a means whereby we could have eliminated the system, at least to a substantial degree.

I realize, as I stated at the time the Senate agreed to the amendment, that the administration has been opposed to any correction of this abuse. I have been disappointed that we have been unable even to get the Administrator of the FHA interested in correcting this point system, which in my judgment has been one of the greatest rackets and abuses ever imposed on the individual homebuyer.

As the system operates today the moneylenders make more money on bad credit risks than on good credit risks, which is the most absurd situation I have ever seen, even in Great Society government. Certainly such a practice would not be condoned in private industry.

The point system is only a means of increasing the lender's income or the interest rates; we all realize that. Suppose, for example, that the maximum rate on a mortgage is fixed at 6 percent. The lender feels that he wants 6.25 percent. The additional .25 percent amortized over 40 years would mean a discount of 10 points on the mortgage. The homebuyer is the one who pays that

10 points; there is no question about that.

If the homeowner is a good credit risk and pays his mortgage out over 40 years as contemplated, it means that the lender collects an additional one-quarter percent per year spread out over the 40 years. On the other hand, suppose the purchaser defaults on the mortgage after only 10 years; the lender can amortize his 10 points over the 10 years, and he picks up an additional 1 percent on his money. As one of the lenders told me in conversation, "If I am lucky—and I use the word lucky advisedly—and I happen to take the mortgage of a homebuyer who will default in only 2 years I can get an extra 5 percent, which means a total of 11 percent interest." If the lender is extremely fortunate and gets a real bad credit risk, one that will default in 1 year, he can pick up all the 10 points the first year, or a total of 16 percent interest.

This is the most absurd situation I have ever seen—and to think that this racket is not only condoned but actually defended by the Johnson administration. The law in my State provides that if a banker had loaned money the way FHA is doing today they would have put him in the penitentiary, because we have a law in Delaware that if a bank purports to lend an individual $1,000 and insists on the individual's giving a $1,000 note but only giving him $900 in cash, it is an illegal transaction. Yet this bucket shop racket is condoned by the Federal Housing Administration. I do not understand it. The FHA was established for a noble purpose: to help the individual citizen acquire a home. Yet too often that purpose is frustrated, and the law works for protection of the profits of the builder and the lender.

I know the Senator from Texas was strongly in favor of my proposal and supported it in the Senate. I realize the position he is in as one of the conferees. Just as in my case, he does not always get his way.

But I regret very much, not only as the author of the amendment but from the standpoint of protection for the millions of home buyers who will continue to be hooked as a result of this point system, that the Senate conferees did not succeed in saving that provision for us.

Mr. TOWER. Mr. President, I share the Senator's regret, and give him my assurance that I will continue to work toward the amelioration of the point system, which I am sure none of us is pleased with.

Mr. PROXMIRE. Mr. President, will the Senator yield?

Mr. TOWER. I yield to the Senator from Wisconsin.

Mr. PROXMIRE. The Senate conferees did try very hard to win approval by the House of Representatives of the amendment offered by the Senator from Delaware to eliminate this vicious windfall practice which he has been hammering away at so long and so faithfully on the floor of the Senate. There is no question but that it is a very bad practice. As the Senator so well states, what it does is encourage investments by unscrupulous persons in loans that they feel, at the time they make the investments, will be in default, and, in fact, to have every reason to encourage the default. Perhaps under some circumstances they might even work actively to secure default, because they do get a windfall when default is achieved.

We were told that administration of such a provision as the Senator from Delaware proposes would be impossible. I propose an amendment in the nature of a compromise, to try at least to eliminate the windfall element over a period of years. But we could not succeed on that; the House of Representatives was absolutely adamant in its position.

I believe the Senator from Delaware deserves support, and I hope he will continue to hammer away on this issue, because he is absolutely right about it. There is no question but that there is a windfall, and I think it should be eliminated.

Mr. WILLIAMS of Delaware. I thank the Senator from Wisconsin.

It is in recognition of the effort which the conferees did make to retain this amendment—and I know they delayed action on the conference report for several days in an effort to achieve agreement to this amendment—that I am not opposing the conference report. I simply regret that the Johnson administration takes the position against this one amendment which would have gone far toward giving the home buyer the protection he deserves.

Mr. President, this is an unsound business principle for any industry. The fire insurance industry, for example, would not operate that way. If one has a piece of property with a building which originally cost $50,000, he may insure it for near that amount. For some reason or other it depreciates in value, and Joe Smith comes along and buys it for $30,000. No insurance company in the world would insure that building for $50,000, or pay him a $20,000 profit should he have a fire the next month.

It is an unwritten rule in all insurance programs that I have ever heard of that they will not under any circumstances insure beyond the cost or the actual value of the property. That is the rule of all insurance companies.

The amendment I sponsored provided that the Government of the United States would not insure a mortgage for one penny more than the lender actually paid for the mortgage.

That is simply a sound business practice, such as would be followed by any private insurance company. Only the Government of the United States or some spendthrift bureaucrat who thinks there is a bottomless pit to the U.S. Treasury would ever condone such an unsound operation. I hope that we can someday get this matter corrected.

The man in this administration who is defending this unsound business practice would never qualify for the job of managing a peanut stand in private industry.

The PRESIDING OFFICER. The question is on agreeing to the conference report.

Mr. JAVITS. Mr. President, will the Senator yield?

Mr. SPARKMAN. I yield.

Mr. JAVITS. Mr. President, I have a few questions to ask the Senator from Alabama. Was the amendment with relation to college housing and the guarantee of the interest rate retained?

Mr. SPARKMAN. I assure the Senator that it was.

Mr. JAVITS. The other matter concerns the new program for homeownership by low-income families. I gather that is retained in the bill with the underwriting of interest at 1 percent.

Mr. SPARKMAN. The Senator is correct.

Mr. JAVITS. It is a very creative bill. A lot more can be done than is being done in respect of housing in the core cities of the country. But I do think that a very important amount of progress is being made here.

The Senator and I have discussed this before when I was a member of the Committee on Banking and Currency. This time, the concentration was upon the new ownership policy, which I think is very commendable and displays real initiative and the techniques such as underwriting the interest rate on which the Senator accommodated me. It was my own contribution on college housing.

I might tell the Senator that we now have such a provision in the bill for teaching facilities in the colleges. We also have such a provision in the hospital modernization bill. It is a very important breakthrough. And the Senate committee gave it the legitimacy which is now carrying it into other fields.

I suggest to the Senator—and of course, I am with him on confirming the report—the possibility of very carefully reviewing the whole renovation question. And whatever may be the arguments of the bulldozer versus the renevator—and that question rages in the city of New York very extensively because the Mayor and the Governor, for example, are not of the same mind on the question—I think that a tremendous amount of the housing stock can be consistently saved, even with neighborhood planning.

We are now installing, for example, in a very congested part of New York, in the Bedford-Stuyvesant Park section, a linear park which would break up the traditional sidewalk concept. I hope the Senator next year could give some consideration to renovation on the neighborhood basis structure. It is clear that in many areas, by a tremendous acceleration of the whole problem of housing for the people of slums and ghettos, additional advantages might be obtained through renovation. A good deal of housing stock in some areas has to come down. There is no way out of that. However, much of the housing stock could be preserved with new techniques and with research. I think many areas can be dealt with so there will not be the traditional box pattern, but the houses will be merged into a good pattern, consistent with renovation.

I hope the Senator will keep that in mind.

Mr. SPARKMAN. Mr. President, I believe the President knows that we have given a great deal of attention to both of these matters. The Senator mentions

renovation and rehabilitation, with respect both to individual buildings of neighborhoods and communities. I think we made some headway this year in expanding and making more workable the rehabilitation program particularly.

I assure the Senator that we will continue to give thoughtful consideration to the matter.

Mr. JAVITS. Mr. President, the Senator may remember that we had an amendment agreed to, again when I was a member of the committee. I think it was my amendment. I worked it out with former Senator Paul Douglas of Illinois. The amendment dealt with conditions of code enforcement and code writing. And we conditioned a certain amount of very important assistance to communities in the housing field upon their engaging in the code program.

I think it would be very useful to Congress if, in the exercise of legislative oversight, the staff might work up the information. We deferred its applicability for several years.

Mr. SPARKMAN. Mr. President, I remember quite well. The Senator was a pioneer in advocating that provision. The Department of Housing has met with some difficulty in trying to work out a satisfactory fomula to carry out the intent of the provision that local communities strengthen their local code requirements and actively enforce them. I understand satisfactory progress is being made but some communities are having difficulty meeting the strict requirements of the law which you sponsored.

Mr. JAVITS. It would be very useful if, even on the staff level, we could have a résumé from the committee as to what happened.

Mr. SPARKMAN. We would be very glad to do that. In this connection I would like to remind the Senator that a related provision in the law written about the same time the Senator from New York's provision was approved is also working very well. That provision provides Federal assistance for concentrated code enforcement within specified areas of our cities. I am very proud that the city of Birmingham was the first to go into the program.

Mr. JAVITS. I am very glad to hear that.

Mr. SPARKMAN. We will start to work on your suggestions.

Mr. BYRD of West Virginia. Mr. President, will the Senator yield?

Mr. SPARKMAN. I yield.

Mr. BYRD of West Virginia. Mr. President, when the bill was under consideration on the floor, I was able to get an amendment agreed to which would allow the local public housing authorities to participate in the bill's low-income homeownership interest-rate provisions. Did that amendment remain intact?

Mr. SPARKMAN. That amendment remained intact in the bill. It is just as the Senator had it agreed to on the Senate floor.

BOLD NEW STEPS IN HOUSING

Mr. MUSKIE. Mr. President, our Nation and our Government have been searching for better homes for our people and a better way of life within our communities for many years.

At no time in our history has the pursuit of that goal been as strong as it has in the years since President Lyndon B. Johnson has been in the White House. Four major housing acts, including such creative new programs—as model cities, rent supplements, and incentive grants for metropolitan development—and the establishment of a Cabinet-level Department of Housing and Urban Development are witness to the concern of this Administration for better housing and better cities.

However, over the years, our achievements have not been entirely even. While the programs of the FHA and the VA have increased our housing supply enormously and made it possible for middle class America to achieve an unprecedented rate of homeownership, there are today 20 million Americans condemned to intolerable, substandard housing.

And, over the years, we have not kept pace with our growing population and changing problems. Our cities are decaying, our transportation systems are clogged, our facilities are worn and outdated.

Nothing is so clear to me as the fact that changing times, changing problems, changing population demands new approaches, new goals, new solutions. Mr. President, the legislation before us today meets these demands. It involves new concepts, new programs, and the revision of existing programs to meet new problems.

For the first time, Mr. President, we have before us not just a goal but a well defined, workable program to reach that goal within the next 10 years. President Johnson in his message on the cities last February set forth the goal—to build 26 million new homes and apartments in the next 10 years and to abolish the 6 million substandard dwellings where 20 million Americans live.

The Housing and Urban Development Act will move us 3 years toward that goal.

HOMEOWNERSHIP

For the first time, Mr. President, this Act brings homeownership within the reach of millions of lower income Americans. Under title I families whose incomes fall within the range of $3,000 to $6,500 per year would be eligible for a Federal assistance payment that could reduce the cost of their home mortgage to as low as 1 percent. By paying 20 percent of its monthly income toward principal, interest, taxes, insurance and mortgage insurance premium a family could have a decent home of its own.

RENT SUPPLEMENTS

For the first time, Mr. President, an almost identical system would be used to make decent rental housing available to those American families in the same income range who are unable or unwilling to undertake the responsibilities of homeownership and to help the elderly and handicapped in their quest for good housing at a reasonable price.

EXPANDED ROLE FOR PRIVATE ENTERPRISE

For the first time, Mr. President, we will rely primarily upon the talents and energies of private industry in reaching the mammoth construction goals needed to house our people. The national policy on housing set forth in the Taft-Wagner-Ellender Act of 1949 stated that "private enterprise shall be encouraged to serve as large a part of the total—housing—need as it can" and "governmental assistance shall be utilized where feasible to enable private enterprise to serve more of the total need. S. 3497 will make it possible, for the first time, to implement those statements fully.

The housing units produced under these new programs will be constructed by private builders. It will be sponsored and owned by private groups and individuals. The funds will come primarily from the private investment market.

Involvement of private groups achieving greater production of low- and moderate-income housing will also be encouraged by other provisions of S. 3497:

A National Homeownership Foundation will be established and will be authorized to make grants and loans to these groups to help defray organizational and administrative expenses, necessary preconstruction costs and costs of services to families that will be served.

The Secretary of Housing and Urban Development will be authorized to provide substantial technical assistance to groups that wish to sponsor housing under the programs of titles I and II and may make 80 percent interest-free loans to these nonprofit sponsors to cover certain preconstruction costs of these federally assisted programs.

Title VIII of this bill authorizes the creation of a national housing partnership to mobilize private investment and the application of business skills in the job of creating low- and moderate-income housing in large volume.

NEW FHA PROGRAMS

For the first time, Mr. President, the Federal Housing Administration, which has served middle income America so long and so well, will be given some new tools to enable it to aid lower-income Americans in achieving homeownership and to save inner cities from further deterioration. S. 3497 authorizes FHA to insure mortgages for families—who presently are not acceptable risks because of poor credit histories or because of irregular income patterns caused by seasonal employment.

Section 103 of the bill before us allows the Federal Housing Administration to insure mortgages for purchase, repair, and rehabilitation of homes that, because they are located in older, declining areas of a city, might not meet all of the usual insurance requirements. Mr. President, many have leveled charges of "redlining" at the FHA. This section of the bill will give the Administration authority to act to prevent further deterioration of neighborhoods where low- and moderate-income families may find good housing and good lives.

NEW DIRECTIONS IN PUBLIC HOUSING AND URBAN RENEWAL

For the first time, Mr. President, existing programs such as public housing and urban renewal have been substantially revised to meet human needs.

For the first time, Federal funds are authorized to assist local housing authorities in providing desperately needed

social services to tenants of low-rent public housing projects.

Many public housing residents are new to the city, unable to cope with its complexities, and unaware of many social aids available.

Many local authorities have attempted to provide aid to tenants in such areas as counseling on housekeeping and diet and money management and have sought to aid tenants in seeking job training and placement, educational opportunities, and health services.

It has been proved that these services can have a substantial effect upon resident's lives. However, it is impossible for local authorities to finance these services adequately. The $20 million authorized for fiscal 1969 and $40 million for fiscal 1970 will do much to humanize the often isolated existence of the public housing resident.

For the first time, other means have been sought to provide something more than a roof and four walls to the public housing resident:

High rise public housing projects for families with children is prohibited in most cases;

The problems of very large families with very low incomes are acknowledged and an additional annual support of $120 is authorized for units where these families live.

Tenants will be able to purchase any low-rent housing unit suitable for individual ownership, rather than only the detached or semidetached units in the present law.

For the first time, a new neighborhood development program will make it possible for a city to speed up the renewal process and show visible accomplishments in short periods of time.

I could go on, Mr. President, for there are other "firsts" in this legislation. However, I believe the most important fact is that we have acknowledged the problems, seen the need to involve all the varied elements of our society in solving them and, through this legislation, provided the tools to begin the job.

In closing, Mr. President, I want to pay tribute to the distinguished chairman of the Senate Committee on Banking and Currency, the Senator from Alabama [Mr. SPARKMAN], for his leadership in the Senate and in conference in bringing the legislation to such a successful conclusion. In addition, I wish to direct some praise to the Secretary of Housing and Urban Development, Dr. Weaver, and to his associates for the imagination, administrative accomplishment, and new directions they have provided in the past several years, all of which has made this legislation possible.

DISTRICT OF COLUMBIA INSURANCE PLACEMENT ACT

Mr. TYDINGS. Mr. President, immediately following the riots which swept through Washington, Baltimore, and other cities in April, the Subcommittee on Business and Commerce, of which I am chairman, of the Senate District of Columbia Committee conducted a series of hearings regarding the steps that should be taken to rebuild the city and to restore the confidence and the livelihoods of its merchants and residents.

One particularly grave problem was highlighted in these hearings—the problem of obtaining adequate property insurance in the riot-affected areas. Numerous witnesses testified that insurance in center city areas was becoming impossible to obtain, and that cancellations were taking place at an alarming rate. It was clear that unless immediate action were taken to remedy this problem, businesses and homeowners would be forced to leave the center city. They cannot function without insurance. Without insurance, homeowners cannot borrow to improve their properties. New businesses cannot be started and existing ones cannot expand or even survive. Adequate insurance is critical to the success of every private, Federal, and District of Columbia program to revitalize the city and provide more goods, services, jobs, and better housing, and thus to alleviate the conditions which have led to the riots. Thus it was clear that unless means were found to guarantee access to property insurance for the center city, the devastation wreaked by the April riots would become merely a prelude to a more thorough economic devastation of the center city of Washington.

During the course of our hearings, the Senate Banking and Currency Committee was considering, as part of the national housing bill, a proposal to provide Federal reinsurance for risks of loss from riots or civil disorders. It was quite clear that congressional passage of this proposed program was the key to solving this insurance problems, in Washington in Baltimore and in cities throughout the country. For that reason, I strongly supported this proposal in the Senate, and I am delighted that the program is now embodied in the national housing bill, now before the Senate, which the full Congress is about to approve.

When we were conducting our hearings, it was not yet evident that the Congress would approve this Federal reinsurance program. But the need for action was so urgent that we resolved not to wait for ultimate congressional action before the District of Columbia Committee would act to permit the District to participate in the national reinsurance program, if finally approved. Accordingly, while the national bill was pending on the Senate floor, I introduced S. 3556, a bill to establish a basic property insurance placement plan and joint underwriting association to guarantee the availability of basic property insurance in the District of Columbia. Immediate committee action on this bill was a necessary if the District were to be able to take full advantage of the national program this year, and to stem the rising tide of insurance cancellations.

Following conclusion of our hearings, and extensive consultations with residents, merchants and insurers, the Subcommittee on Business and Commerce on July 8 approved a somewhat amended version of S. 3556. These amendments were designed to insure that the program would work equitably and effectively to guarantee fair access for all to property insurance.

On July 10, Congressman PATTEN, of New Jersey, offered S. 3556, as approved by my subcommittee, as an amendment to the national bill then pending on the House floor. The House accepted this amendment, and the District of Columbia Insurance Placement Act was adopted as title XI of the national bill. In conference on the national bill, the Senate conferees accepted the new title XI, and thus the bill which is now pending before the Senate contains, as one of its provisions, the District of Columbia Insurance Placement Act which I originally introduced in the Senate.

By adopting this bill as a separate title of the national bill which establishes the Federal reinsurance program for civil disorder risks, I believe the Congress express is a judgment that this is model enabling legislation which each State should accept. The most important aspect of this model bill is, I believe, the broad authority vested in the District of Columbia government to regulate the terms by which property insurers in this jurisdiction guarantee fair access to insurance. In the course of hearings on S. 3556, spokesmen for the insurance industry offered a counter-proposal—as a so-called model bill—which would have significantly limited the authority of the District government to supervise and to regulate the operation of the industry placement facility and joint underwriting association created by the bill. Although the subcommittee, in considering S. 3556, made a number of changes to guarantee that the insurance industry would be adequately consulted in the formulation of rules and regulations, we firmly rejected proposals to give the industry any manner of veto authority over these rules and regulations. Since the national bill provides a governmental backup to cover the risks of civil disorders, we believe that it was necessary and proper that the local government have ample authority to insure that this Federal backup is not simply a windfall to insurers, and that answers will in fact give full and fair access to insurance to all residents and merchants. The wide authority given to the District of Columbia government in this regard is a vital feature of the bill, and the Congress in enacting the measure as part of the national bill endorses this principle in particular.

SUMMARY OF THE PROGRAM

The District of Columbia Insurance Placement Act of 1968 would help the District of Columbia resolve its insurance problems in two ways. First, it would authorize the Commissioner to develop and adopt plans to assure property owners fair access to basic property insurance and to establish, if necessary, a joint underwriting association. Second, it would make it possible for insurers in the District to participate in the national reinsurance program.

DETAILED ANALYSIS OF THE BILL

SHORT TITLE

The enacting clause provides that the bill may be cited as the "District of Columbia Insurance Placement Act."

DECLARATION OF PURPOSE

Section 2 states that the purposes of the act are to, first, assure stability in the District of Columbia property insur-

ance market; second, assure the availability of basic property insurance; third, encourage the maximum use of the normal insurance market to provide basic property insurance; and fourth, provide for the equitable distribution among insurers of the responsibility for insuring qualified property by authorizing the establishment of a joint underwriting association.

DEFINITIONS

Section 3 defines first, "Commissioner" to mean the Commissioner of the District of Columbia or his designated agent; second, "basic property insurance" to mean fire and extended-coverage insurance and such other property insurance coverages, including, but not limited to, vandalism and malicious mischief, burglary, theft, and robbery for such types, classes, and locations of property, for which national reinsurance for riot or civil disorder loss is available, as may be designated by the Commissioner, except insurance on automobiles; third, "environmental hazard" to mean any insurance hazards beyond the control of a property owner; fourth, "inspection bureau" to mean the rating bureau or other organization designated by the Commissioner to perform inspections required under the act; fifth, "Industry Placement Facility" to mean the facility formed to assist agents, brokers, and applicants in securing basic property insurance; sixth, "premiums written" to mean gross direct premiums changed for basic property insurance with respect to properties in the District of Columbia including the basic property insurance components of multi-peril policies, less all premiums and dividends returned, paid, or credited to policyholders or the unused or unabsorbed portions of premium deposits; and, seventh, "property owner" to mean any person having an insurable interest in real, personal, or mixed real and personal property.

It should be noted that the Commissioner has discretion as to the types of coverages to include in the definition of "basic property insurance" in addition to fire and extended coverage. We recognize that there are specialized underwriting problems connected with certain coverages. It cannot be emphasized too strongly, however, that the primary purpose of this bill is to permit the Commissioner to take the necessary steps to assure all responsible property owners in the District of Columbia fair access to property insurance. Therefore, it is expected the Commissioner will include as many optional lines in the term "basic property insurance" as he can, consistent with the needs of property owners and the specialized problems involved. It is also expected the Commissioner will use the flexibility in the definition to specify the types, classes, and locations of property for which additional coverages are to be provided to move forward rapidly in providing coverages to property owners where these specialized problems are less severe.

INDUSTRY PLACEMENT FACILITY

Section 4(a) requires all property insurers in the District of Columbia to establish an Industry Placement Facility within 30 days after the effective date of the act. This facility is to fomulate and administer a program to provide for the equitable apportionment among insurers of applications for basic property insurance on risks which meet reasonable underwriting standards. This program is to be subject to disapproval by the Commissioner and the legislation gives the widest possible latitude for the formulation of the most effective and equitable program. On the request of an agent, broker, or property owner the facility is to seek to place with one or more of its members an application for insurance up to the full insurable value of the risk, subject only to deductibles, percentage participation clauses, and other underwriting devices as are necessary to meet special problems of insurability.

We believe it is important to give all responsible owners the opportunity to insure their property for its full insurable value. Otherwise, property owners may be left exposed to considerable loss. Indeed, an owner with a substantial mortgage may stand to lose his entire equity in his property. Further, the inability to obtain insurance to value may prevent some persons from being able to obtain needed credit to purchase or improve property, precisely the conditions this bill is designed to eliminate.

Section 4(b) of the bill was added to make clear that the facility may, subject to the approval of the Commissioner, provide for the equitable distribution of commercial risks and dwelling risks among its members.

Section 4(c) requires each insurer to participate in the Industry Placement Facility in accordance with its established rules as a condition of its authority to transact business in the District of Columbia. In lieu of revoking or suspending the certificate of authority of any company for any failure to comply with any of the rules of the facility, the Commissioner may fine a company not more than $200 for each violation of such rules if such action would best serve the public interest. We amended this section to make clear that it does not permit the Commissioner to merely fine a company that fails to become a participant in the facility. Such a company is to be ineligible to do basic property insurance business in the District of Columbia until such time as it becomes a participant.

FAIR ACCESS TO INSURANCE REQUIREMENTS

Section 5(a) requires the Industry Placement Facility on its own motion, or within 30 days after a request by the Commissioner, to submit to the Commissioner such proposed rules and regulations applicable to insurers, agents, and brokers, deemed necessary to assure all property owners in the District of Columbia fair access to basic property insurance. These rules and regulations could, among other matters, cover first, the manner and scope of inspections of risk; second, the preparation and filing of inspection reports and reports of actions taken in connection with inspected risks; and, third, the operation of an Industry Placement Facility.

We amended this section to make clear that the rules and regulations with respect to the Industry Placement Facility could, among other matters, cover first, the basic property insurance coverages of such facility; second, the reasonable effort to obtain insurance in the normal commercial market required by an applicant before recourse to the facility; and, third, the appeals procedure within the facility for any applicant for insurance regarding any ruling, action, or decision by on behalf of the facility. This amendment is not intended to restrict the rulemaking authority of the Commissioner.

Subparagraph (a) makes clear that the Commissioner may adopt rules with respect to the types of basic property insurance coverage to be placed by the facility which differ from types of basic property insurance coverages subject to other programs adopted by the Commissioner. Subparagraph (b) makes clear that the Commissioner may adopt rules permitting the facility to specify that a property owner who applies for insurance may be required to attempt to obtain insurance through an agent or through a broker before the facility is required to use its resources to locate insurance for the owner. The facility, however, would not be permitted to require an agent or broker to attempt to place an application for insurance with an insurer, since to do so in the face of the agent or broker's judgment with respect to the acceptability of the risk to insurers he represents would only invite delay in obtaining insurance for the applicant. Subparagraph (c) makes clear that the Commissioner may adopt rules permitting the facility to review the decisions by its employees before such decisions are appealed to the Commissioner under section 10. This review is to be accomplished promptly and should not be permitted to materially delay an appeal to the Commissioner.

Section 5(b) provides that the Commissioner may adopt such of the proposed rules submitted by the facility as he approves. If the Commissioner disapproves any proposed rule, he shall state his reasons and shall require, in consultation with him, the facility to submit to him a revision of the rule. The revision must be submitted within 10 days or within such greater period of time as may be designated by the Commissioner. If the facility fails to submit a proposed rule, or a revision thereof, within the designated time, or if a revised rule is unacceptable to the Commissioner, the Commissioner may adopt rules covering the same general subject matter as he may deem necessary to carry out the purposes of the act.

As introduced, the bill would have authorized the Commissioner to adopt rules and regulations without discussion with the industry. By providing the facility with the option to prepare drafts of any rules deemed appropriate by the Commissioner the industry will be given an opportunity to present its views to him. We do not expect that this procedure will significantly delay the adoption of appropriate rules.

The rulemaking authority provided by this section will permit the Commissioner to adopt the provisions of the FAIR plan—for fair access to insurance requirements plan—as set forth in the report of the President's National Advisory Panel on Insurance in Riot-Affected

Areas and in the national reinsurance legislation. Basically, the FAIR plan is designed to assure that no property owner is denied basic property insurance by an insurer, agent, or broker without a careful inspection of his property by an impartial and disinterested expert and a full evaluation of the risk by insurers to determine whether it meets reasonable underwriting standards at an unsurcharged premium rate. If it does not, the owner informed of the specific defects in his property which must be improved to bring the property up to insurable condition at an unsurcharged rate. The Commissioner could also adopt additional requirements that may be necessary or desirable to help responsible District property owners obtain basic property insurance as promptly and at a low a cost as possible, consistent with the condition of the property to be insured.

An essential feature of the FAIR plan is the requirement that insurers must give their policyholders sufficient notice prior to cancellation or nonrenewal to allow the policyholder to seek a new policy under the plan or through the Industry Placement Facility. We expect the Commissioner to include such a provision in any plan adopted under the section to assure responsible District property owners continuity of basic property insurance coverage.

JOINT UNDERWRITING ASSOCIATION

Section 6(a) authorizes the Commissioner to establish by order a joint underwriting association if he finds, after notice and opportunity for hearing, that the association is necessary to carry out the purposes of the act. Such hearing may be based on oral or written testimony, or both. The association is to consist of all District insurers writing basic property insurance on a direct basis and would provide reinsurance for its members.

Section 6(b) requires insurers to comply with all the requirements of membership in the association as a condition of authority to transact business in the District. In lieu of revoking or suspending the certificate of authority of a company for failure to comply with any of the requirements of membership, the Commissioner is authorized to fine a company not more than $200 if he believes such action would best serve the public interest. We amended this section to make clear, however, that the section does not permit the Commissioner to merely fine a company which fails to become a member of the association. Such a company could not conduct basic property insurance business in the District of Columbia until it becomes a member of the association.

Section 6(c)(1) requires the association to submit a proposed plan of operations to the Commissioner within 60 days after the Commissioner orders the formation of the association. The plan is to provide for the economical, fair, and nondiscriminatory operation of the association and for the prompt and efficient provision, without regard to environmental hazards, of reinsurance on such basic property insurance as may be designated by the Commissioner.

Section 6(c)(2) provides that the plan of operation of the association is subject to approval by the Commissioner. If the Commissioner disapproves all or any part of the proposed plan of operation, he shall state his reasons and consult with the association, which is given another 30 days to devise an acceptable plan. If it does not, the Commissioner is authorized to promulgate a plan of operation.

Section 6(c)(3) provides that the association may amend the plan of operation on its own initiative, subject to approval by the Commissioner. The association, however, must amend the plan at the direction of the Commissioner if he finds such action is necessary to carry out the purposes of the act.

Section 6(d) provides that all members of the association are to participate in its writings, expenses, profits and losses, or in such categories thereof as may be separately established by the association, in accordance with such formula as may be devised by the association. The categories and formulas established by the association are subject to approval by the Commissioner.

Section 6(e) provides that the association is to be governed by a board of 11 directors, elected annually, by cumulative voting of the members of the association. The votes of each member of the association are to be weighed in accordance with the proportionate amount of each member's net direct premiums written in the District of Columbia during the preceding calendar year. The first board is to be elected within 30 days after the Commissioner's order at a meeting of the members at a time and place designated by the Commissioner.

The purpose of the association is to allow an insurer to reinsure a risk which meets reasonable underwriting standards as established by the Commissioner but which does not meet the underwriting standards of the insurer, for example, because of environmental hazards. In this way, the risk of loss on property which meets reasonable underwriting standards will be borne by all District insurers through the reinsurance mechanism rather than by an individual insurer. It is expected that the Commissioner, in evaluating the plan of operation, will make every effort to assure that it will not operate to inordinately encourage or discourage companies to reinsure policies rather than retaining the risk themselves.

We expect the Commissioner to make a careful and continuing evaluation of the results of the Industry Placement Facility and other measures designed to improve the availability of basic property insurance immediately after their adoption to be in a position to determine promptly whether a joint underwriting association is necessary to make basic property insurance available to all responsible owners in the District of Columbia, up to the full insurance value of property which meets reasonable underwriting standards, subject to deductibles and other appropriate underwriting devices.

It should be noted that the association may be ordered to be formed by the Commissioner to provide any or all types of coverages included in the definition of "basic property insurance." This flexibility will allow the Commissioner to move forward rapidly, where necessary, to utilize the association in order to provide those types of coverages which individual insurers find difficult to provide without association reinsurance because of specialized problems of insurability and therefore are not reasonably susceptible to sale on a wide basis through the Industry Placement Facility or other programs designed to place insurance with individual insurers.

EXAMINATION BY COMMISSIONER

Section 7 provides that the inspection bureau, Industry Placement Facility, and any joint underwriting association are to be subject to supervision, regulation, and examination by the Commissioner. Further, it authorizes the Commissioner to summon and qualify witnesses under oath with respect to the operation of such facilities.

WAIVER OF LIABILITY

Section 8 provides that no cause of action shall arise against insurers, the inspection bureau, Industry Placement Facility, or any joint underwriting association or their agents or employees, or any officer or employee of the District of Columbia, as the result of any statements made by them in good faith concerning the insurability of property. Reports and communications with respect to individual properties are not to be available for public inspections.

This provision will allow persons involved in inspecting or evaluating a risk to speak freely and honestly about the nature and condition of the risk without fear of subsequent legal action.

ANNUAL REPORT BY ASSOCIATION

Section 9 requires the joint underwriting association to file an annual report with the Commissioner containing information with respect to its transactions, condition, operations, and affairs during the preceding year and such other information in such form as the Commissioner may prescribe. The Commissioner may also require the association to furnish him with such information from time to time as he may require to evaluate the scope, operation, and experience of the association.

APPEALS

Section 10(a) permits any applicant for insurance or any affected insurer to appeal to the Commissioner any ruling, action, or decision by or on behalf of the inspection bureau, Industry Placement Facility, or joint underwriting association after exhaustion of remedies available within the bureau, facility, or association. It is expected that the Commissioner will dispose of all appeals on an expedited basis.

Section 10(b) provides that all final orders or decisions of the Commissioner made pursuant to the bill are reviewable by the District of Columbia Court of Appeals.

REIMBURSEMENT OF FEDERAL INSURANCE FUND

Section 11(a) authorizes the Commissioner to assess each insurer authorized to do business in the District of Columbia

an amount sufficient to provide a fund to reimburse the Federal reinsurance fund, as required by the national bill. The assessment would be based on the proportion of the premiums earned in the District of Columbia during the preceding year on lines of insurance reinsured by the Corporation during the current year whether or not the particular company was reinsured by the Corporation. Such fund could be added to or created by appropriations.

Under the national reinsurance program, each State, including the District of Columbia, has the responsibility of assuming a portion of the losses reinsured under the program in the State, in excess of the amount of premiums paid by the insurance industry for reinsurance in the particular State. The amount to be assumed by the State is to be not more than 5 percent of the premiums earned in the State by all insurers there on those lines of insurance reinsured under the national program. If the District does not assume this portion of reinsured losses within 1 year after the enactment of the national reinsurance program insurers in the District would be ineligible for national reinsurance.

Section 11(b) requires insurers to add to the premium rate on insurance coverages for which the assessment is made an amount, to be approved by the Commissioner, sufficient to recover within not more than 3 years, any amounts assessed under subsection (a) during the preceding calendar year. The amount added to the premium rate for this purpose is to be stated as a separate charge made in addition to the premium and no commission of any form is to be paid or allowed on the separate charge to any agent or broker producing or selling the policy of insurance.

DELEGATION

Section 12 authorizes the Commissioner to delegate any or all the functions vested in him by the bill. The Commissioner has informed us that he intends to delegate these functions to the Superintendent of Insurance.

JUDICIAL REVIEW

Section 13 would amend section 11–742 (a) of the District of Columbia Code to make all final orders and decisions of the Commissioner under the act reviewable by the District of Columbia Court of Appeals.

Mr. McGEE. Mr. President, we all know that the Nation's cities are facing unprecedented problems today. The need for improving living conditions in the inner city has been forcefully demonstrated in a number of our metropolitan centers during the past 16 months.

The crying need for adequate and suitable housing for America's lower income families is not of recent origin. It has been developing for a number of years with an increasing tempo of urgency. But not until the unfortunate events of the past year and a half have we as a nation come to realize the desperate plight of so many of our disadvantaged citizens.

The primary purpose of the Housing and Urban Development Act of 1968 is for the short range, to alleviate this situation and for the long range, the elimination of our housing problems. The act constitutes a giant step toward insuring that America will not only be able to preserve its reputation of having the best housed people on earth but will even further embellish its No. 1 ranking.

Specifically, it will help us achieve the goal of 26 million new homes and apartments in the next 10 years. Six million of these are earmarked as replacements for substandard units which now house more than 20 million people.

And to meet immediate needs, 300,000 units that will provide decent housing for more than 1 million people who require Government aid, are slated to be started in the year ahead.

The act also provides further authorization for the model cities program, which is designed to substantially improve or eradicate slum conditions in many of our cities.

One of the most important provisions will make practically every family's cherished goal of owning a home of its own a practical reality. Families earning as little as $3,000 a year will be able to afford homeownership with the mortgage subsidies under this plan.

The act also provides for Government rental assistance to be expanded by a mortgage interest rate subsidy to organizations providing new or rehabilitated apartment units for lower income families. Families living in subsidized units would have to pay at least 25 percent of their income as rent. It is estimated that this new subsidized plan will assist about 700,000 apartment units to be built or rehabilitated over the next 3 years.

It also recognizes the chaotic condition that resulted in the business communities directly affected by riots by establishing a new National Insurance Dedevelopment Corporation which would reinsure policies for property damage in ghetto areas.

One of the more important provisions of the new act that is expected to have a strong impact on the ghetto areas enables the Federal Housing Administration to insure mortgages for buyers who cannot meet ordinary credit standards, and it could make insured loans available in deteriorating neighborhoods in an effort to upgrade them.

Another significant part provides for the ownership of the Federal National Mortgage Association's Secondary Market Operations to be transferred fully to private hands. The $155 million of Fannie Mae preferred stock held by the Treasury would be retired. The 8,500 holder of common stock who provide $145 million of the corporation's capital then would have sole equity in the Association's $6.5 billion mortgage portfolio.

A new agency, the Government National Mortgage Association—GNMA or Ginny Mae—would be established to continue administering the "special assistance" programs.

Therefore, in view of these meaningful, well-thought-out provisions designed to carry America's vital housing program forward for the next decade it is my judgment that this is without question the most comprehensive and best housing act we have ever had.

The PRESIDING OFFICER. The question is on agreeing to the conference report.

The report was agreed to.

FLOOD INSURANCE ACT

Mr. DODD. Mr. President, I am most gratified that the conference report on the housing bill which was agreed to by the Senate today contained the Flood Insurance Act which has been pending in conference for some time now.

Adequate Government backing of flood insurance is something which we have long needed and which I am pleased to see is finally about to become a reality.

I have long been interested in the problems of the insurance industry and its policyholders but my interest in disaster insurance is particularly strong and goes back many years.

Twelve years ago as a Congressman in the House of Representatives I introduced a bill which established insurance and loan programs to provide protection against all kinds of natural catastrophies.

These programs were to be financed entirely by the Federal Government, but they would have been administered, at least partially, by the private insurance companies.

The bill which we have before us today is less comprehensive in scope than the one which I introduced in the House. However, the present bill has been refined and improved; and it is designed to deal only with damage by water, which is probably the most prevalent form of natural disaster.

The bill which I introduced in 1956 provided insurance against floods, hurricanes, earthquakes, tornadoes, dust-storms, snowslides, and many other types of natural disasters.

It called for a Federal corporation which would provide direct insurance as well as reinsurance contracts for private insurance companies and it provided non-interest-bearing loans for disaster victims.

My bill authorized combinations of insurance and loans in such combinations that would be deemed appropriate by the Federal corporation to meet certain disasters.

As the present bill does to a great degree, my bill also demanded that private insurance companies be used as agents wherever possible and authorized that the corporation provide only that insurance which private insurance companies could not provide.

We were successful in our efforts to enact natural disaster insurance legislation in 1956, and I was fortunate in getting the loan features of my bill, known as the Dodd plan incorporated into the final act. But because of appropriation and implementation failures the act, much to my dismay, never achieved its potential.

I am confident that the bill now before us will not have the same difficulties because it is a substantial improvement over the 1956 act and is sufficiently fortified against the obstacles which that act encountered.

There is no question that floods present the greatest risk to the property owners of this country as a group. Destruction wrought by water is usually more extensive and more complete than other forms of property damage.

A flood can sweep away whole neighborhoods and spread its ugly destruction over entire communities, towns, and cities as far as the eye can see.

Moreover, a homeowner who has had his house taken from him in this fashion is often faced with burdens even greater than the replacement of the domicile which he has lost.

In many cases, homes destroyed by water are heavily mortgaged, and the individual who has lost his home must not only somehow provide for a new one, but he must also continue to make payments on a house which no longer exists.

This is enough the break the spirit of even the strongest of men.

Unfortunately, the private insurance industry has not been able to cope with the tremendous risk which flood insurance presents.

Because damage by floods is so extensive it has been impossible for insurance companies to make any sensible statistical evaluation of the risk presented to them by the possibility of serious floods.

The resources of the private insurance industry have never been sufficient to enable them to offer flood coverage on their own. They simply do not possess the financial capacity to assume the entire burden of this "unspreadable" risk.

The flood insurance provisions of this bill offer a truly sensible solution to this long-standing problem in that they establish a joint effort of Government and industry working together to set up and administer a marvelous new system of flood insurance.

This system has some very creative and practical features. It contains a new and sophisticated system of rate determination. This particular system is extremely flexible and if properly implemented and administered, it could provide the Government with sufficient funds to adequately back the program and yet not result in exorbitant rates to the individual homeowners.

Another unusually appealing feature of these flood insurance provisions is the establishment of a long-range program of regulation of land use.

This program is designed to provide that the property in certain areas with high flood risk will become over the years less prone to flood damage.

Theoretically, land in these areas will be developed in such a way that its usefulness cannot be severely damaged by flood.

As this happens, the premium rate necessary to cover the full costs of providing insurance coverage in the area will decrease so that it is closer to the reasonable amount which can be paid by any customer.

As a result, because the risk of flood damage in these areas will be lower, the private insurance companies will be able to bear most of the burden of the risk themselves, and the Government's expenditures in the program will drop off.

I am hopeful that the insurance industry will fully cooperate with the Government in forming the insurance pool called for by the bill and that the many details of setting this program up can be quickly worked out so that the homeowners of this country may once and for all have flood insurance protection for their homes.

The absence of this protection has long been the cause of great hardship to the victims of natural disasters.

Too many inland homeowners have watched in grief as their uninsured home were washed away by roaring rivers, swollen by torrential rains or by the heavy snows of a cold winter.

Too many coastal homeowners have had their life's investment destroyed by storm-driven ocean waters.

Too many towns and cities have seen their entire community become a disaster area as a result of destructive floods.

Let us hope that this measure finally agreed to by the Senate today will at last put an end to this serious problem.

EXECUTIVE SESSION

Mr. McINTYRE. Mr. President, I ask unanimous consent that the Senate go into executive session for the purpose of considering a nomination which was reported earlier today from the Committee on the Judiciary.

The PRESIDING OFFICER. Without objection, it is so ordered.

U.S. DISTRICT JUDGE

The legislative clerk read the nomination of Hugh H. Bownes to be U.S. district judge for the district of New Hampshire.

The PRESIDING OFFICER. Without objection, the nomination is confirmed.

Mr. McINTYRE. Mr. President, I ask unanimous consent that the President be immediately notified of the confirmation of the nomination.

The PRESIDING OFFICER. Without objection, it is so ordered.

LEGISLATIVE SESSION

Mr. McINTYRE. Mr. President, I ask unanimous consent that the Senate resume the consideration of legislative business.

The PRESIDING OFFICER. Without objection, it is so ordered.

INVESTMENT COMPANY AMENDMENTS ACT OF 1968

The Senate resumed the consideration of the bill (S. 3724) to amend the Investment Company Act of 1940 and the Investment Advisers Act of 1940 to define the equitable standards governing relationships between investment companies and their investment advisers and principal underwriters, and for other purposes.

Mr. SPARKMAN. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The bill clerk proceeded to call the roll.

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER (Mr. HOLLINGS in the chair). Without objection, it is so ordered.

ORDER FOR ADJOURNMENT UNTIL 10 A.M. TOMORROW

Mr. MANSFIELD. Mr. President, I ask unanimous consent that when the Senate completes its business today, quite late, I hope, this afternoon or evening, the Senate stand in adjournment until 10 o'clock tomorrow morning.

The PRESIDING OFFICER. Without objection, it is so ordered.

COMMITTEE MEETINGS DURING SENATE SESSION TOMORROW

Mr. MANSFIELD. Mr. President, I ask unanimous consent that all committees be authorized to meet during the session of the Senate tomorrow, except the Committee on Labor and Public Welfare.

The PRESIDING OFFICER. Without objection, it is so ordered.

INVESTMENT COMPANY AMENDMENTS ACT OF 1968

The Senate resumed the consideration of the bill (S. 3724) to amend the Investment Company Act of 1940 and the Investment Advisers Act of 1940 to define the equitable standards governing relationships between investment companies and their investment advisers and principal underwriters, and for other purposes.

Mr. BENNETT. Mr. President, for proposed legislation to receive the support of those who have not been involved in its development, several things seem to be very important these days. First, it must be presented in such a way that it can be referred to as protecting consumers, especially those with lower incomes. Second, it must be billed as nothing radical, but rather a moderate or even a conservative measure which can be claimed to be the minimum needed to begin to deal with existing problems that suddenly are claimed to be serious. Third, if one can also say that the bill only requires that the industry be regulated to produce reasonable management fees and reasonable sales charges and that these will be decided by a disinterested or impartial governmental agency, it would appear that there would be no basis for opposition.

This is just what is claimed for the proposed legislation before the Senate today, which would make grave new inroads of Government intrusion into the management of private business institutions. Proponents, while not discussing this fact, have never denied it, nor can they deny that this bill does in fact provide for new and greater Federal control over a long-established industry which already has ease of entry, many competing firms, and vigorous price competition among these firms.

Contrary to what proponents would like Members of this body to believe, this bill is dealing with an extremely technical problem. There is nothing simple about the regulation of mutual funds. Even the 1940 Investment Company Act, which it is now claimed does not deal with the industry of today, was characterized by the Securities and Exchange Commission as a "complex and elaborate piece of legislation, calling for a great

relations with the U. S., for the period beginning with the import quota year following severance of the relations and continuing through 2 import quota years after relations are resumed (p. H7627). This bill will now be sent to the President.

5. DAIRY. Conferees were appointed on S. 3638, to extend for 3 years the authority of the Secretary of Agriculture to make indemnity payments to dairy farmers for milk required to be withheld from commercial markets because it contains residues of chemicals registered and approved for use by the Federal Government (p. H7627). Senate conferees have been appointed. The "Daily Digest" states that conferees have agreed to file a report (p. D748).

6. HOUSING. Agreed, 227-135, to the conference report on S. 3497, the housing bill (pp. H7657-67, ~~H7685~~). For provisions see Digest 130. This bill will now be sent to the President.

7. ROADS. Agreed to the conference report on S. 3418, the road authorization bill (pp. H7768-77). Rejected, 166-167, a motion by Rep. Stratton to recommit the conference report (pp. H7676-77).

8. BUILDINGS. Agreed to the conference report on S. 222, to insure that public buildings financed with Federal funds are so designed and constructed as to be accessible to the physically handicapped. The conferees agreed that "the basic import of this legislation shall be confined to publicly owned buildings including public housing, or buildings accessible to the public." pp. H7680-81

9. RECREATION. A subcommittee of the Interior and Insular Affairs Committee approved for full committee action H. R. 15245 and S. 444, to establish the Flaming Gorge National Recreation Area in Utah and Wyo. p. D748

10. GRAIN INSPECTION; FLOOD CONTROL. Conferees agreed to file reports on H. R. 15794, to provide for U. S. standards and a national inspection system for grain, and S. 3710, omnibus rivers and harbors flood control bill. p. D748

11. FOREIGN AID. Rep. Michel criticized the "follies" of our foreign aid program and asked, "How many ungrateful foreign countries are our taxpayers going to be asked to support while our cities crumble?" pp. H7629-30

12. FEDERAL AID; REORGANIZATION. Rep. Roth spoke in support of two bills, to issue and maintain an up-to-date catalog on Federal assistance programs, and the proposed Executive Reorganization and Management Improvement Act. pp. H7685-6

13. FARM PROGRAM. Rep. Olsen stated "the basic principles in the 1965 farm act are tried and tested...and have worked well." He urged a 4-year extension of the program. p. H7692

14. LEGISLATIVE PROGRAM. Rep. Albert announced the following program for the week of July 29, Military construction appropriations, food stamp bill, FHA loans bill, and bill to prevent importation of endangered wildlife. p. H7687

15. ADJOURNED until Mon., July 29. p. H7706

SENATE -- July 26

16. OCEANOGRAPHY. The Commerce Committee reported without amendment S. Con. Res. 72, to express the sense of the Congress with respect to an International Decade of Ocean Exploration during the 1970's (S. Rept. 1476). p. S9442

17. EMPLOYMENT. The Armed Forces Committee reported with amendment H. R. 1093, to amend and clarify the reemployment provisions of the Universal Military Training and Service Act (S. Rept. 1477). p. S9442

18. FOREIGN AID. The Foreign Relations Committee reported with amendment H. R. 15263, the foreign aid authorization bill (S. Rept. 1479). p. S9442

19. POSTAL SERVICE. Passed, 47-8, as reported H. R. 15387, to amend title 39, United States Code, to provide for disciplinary action against employees in the postal field service who assault other employees in such service in the performance of official duties (pp. S9506-11, S9519-20, S9522-45). Agreed, 46-17, to a committee amendment exempting certain postal employees from personnel limitations of the Revenue and Expenditure Act (p. S9537). Rejected, 22-34, the Miller amendment providing that personnel limitations in the Revenue and Expenditure Control Act shall be retained except for those exempted by committee amendment adopted above (pp. S9541-3).

20. POULTRY. Began consideration of S. 2932, the poultry inspection bill. pp. S9545-51

21. CONSERVATION. Sen. Yarborough inserted an editorial supporting his bill to create a Big Thicket National Park in Tex. p. S9449

22. LEGISLATIVE PROGRAM. Sen. Mansfield announced the following program: following disposition of the postal personnel limitations bill, the Senate will take up the State, Justice, and Commerce appropriation bill on Mon., following that, the foreign aid authorization bill. During the week it will dispose of the HEW and Labor appropriations bill and D. C. appropriation bill. pp. S9483-4

SENATE -- July 27

23. POULTRY INSPECTION. Continued debate on S. 2932, the poultry inspection bill. pp. S9590-609, S9622-6

24. HEALTH. Passed with amendments H. R. 15758, the proposed Health Service Amendments of 1968, including continuation of grants for health services to migratory workers through the fiscal year 1971 and increasing gradually the authorization

hospitalized. He has since been removed from the active force because of his physical condition. I cannot say there is a connection between that circumstance and the beating which he once took.

In each of these instances where police brutality was charged, when I had an opportunity to see what went on, I know those charges were foundationless.

As a matter of fact, I am amazed at the quality of our Metropolitan Policemen and their dedication to trying to help the circumstances which create problems for them. We should consider the number of thousands of hours that Metropolitan Policemen spend in directing the Police Boys' Clubs and in working with these youngsters. If we take a look at those officers who spend their own vacation time in taking youngsters to camp and fishing and boating with them and in other various activities, one has to draw the conclusion that the great body of these men at least are doing a great deal more to try to prevent delinquency and crime than most of those agencies which are paid for that purpose specifically. This work is all done on their extra time, and their own time, by the police involved in this situation.

I have been amazed that these officers can act with as much restraint—and any Member of the House may find this for himself—because there are certain areas in this city where an officer or a pair of officers cannot walk or ride down the street without receiving the harshest kind of vituperative comments from those who line the streets. On occasion, the officers are even spat upon.

I think they have exercised a great deal of restraint.

We have to make the decision whether we enforce the law or whether we turn our back on crime and the criminal. There comes a point in almost every day in the duty hours of the policeman when he is faced with the decision: Do I enforce the law here or do I retreat? I think one gets a little different picture of the situation if he goes with the officer or with these officers into the darkest streets and alleys and homes of the community, knowing the officer is a few yards from a person he has been called upon to arrest or apprehend, and knowing that the individual is armed in some way, and knowing the kind of attitude that prevails in most of these areas.

It is not only those who are harassed who need consideration. I can say flatly, having had considerable experience with the Metropolitan Police force, that this is a force of which every Member of this House and this city can be proud.

Mr. WHITENER. Mr. Chairman, I move to strike the requisite number of words.

I should like to ask the chairman or the ranking member of the subcommittee about a situation here in the Nation's Capital.

A few days ago it was my responsibility to handle a piece of legislation on the floor of the House which would have provided for the removal of rubble and debris from private property at Government expense as a result of the April riots. That bill was defeated, much to my disappointment. I noted in the press a few days later that the Department of Housing and Urban Development had written a check to the District government to do exactly what the House of Representatives had refused to allow. Now, let me say again I was disappointed with the position that the House took on the bill that we had before us, but once that position was taken it should have been binding on the District officials and on other agencies of the Government.

Is this going on in other areas to any appreciable extent here in the District of Columbia?

Mr. NATCHER. Mr. Chairman, will the gentleman yield?

Mr. WHITENER. I yield to the gentleman from Kentucky.

Mr. NATCHER. I should like to say to my distinguished friend, so far as I know personally this is the only incident which has been brought to our attention during the past 12 months. I also read the article that the Department of Housing and Urban Development did approve a grant, I believe of a little over $200,000, to be used for the purpose the gentleman just mentioned. I want the gentleman to know that I concur with what he has said. If the House turns it down I do not think any department of Government has a right to issue a grant or to allocate funds for a purpose such as the gentleman has called to the attention of the House. I agree with the gentleman.

Mr. WHITENER. It would seem to me, if we are to preserve the representative system in Government, that once the Congress or either body in the Congress has made a decision on a policy matter, even though that decision is not desirable to certain Government agencies—as the one made in this case was not satisfactory to me—the agencies should be bound by it. I felt bound by it. If our system is to prevail we must have a little better appreciation on the part of these executive agencies of our constitutional system.

Mr. NATCHER. Mr. Chairman I certainly concur with the gentleman's statement.

Mr. WHITENER. Mr. Chairman, I yield back the remainder of my time.

Mr. NATCHER. Mr. Chairman, I move that the Committee do now rise and report the bill back to the House with the recommendation that the bill do pass.

The motion was agreed to.

Accordingly the Committee rose; and the Speaker having resumed the chair, Mr. PRICE of Illinois, Chairman of the Committee of the Whole House on the State of the Union, reported that that Committee, having had under consideration the bill (H.R. 18706) making appropriations for the government of the District of Columbia and other activities chargeable in whole or in part against the revenues of said District for the fiscal year ending June 30, 1969, and for other purposes, had directed him to report the bill back to the House with the recommendation that the bill do pass.

Mr. NATCHER. Mr. Speaker, I move the previous question on the bill to final passage.

The previous question was ordered.

The SPEAKER. The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

GENERAL LEAVE TO EXTEND

Mr. NATCHER. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to extend their remarks on the bill just passed.

The SPEAKER. Is there objection to the request of the gentleman from Kentucky?

There was no objection.

CONFERENCE REPORT ON S. 3497, HOUSING AND URBAN DEVELOPMENT ACT OF 1968

Mr. PATMAN. Mr. Speaker, I call up the conference report on the bill (S. 3497) to assist in the provision of housing for low and moderate income families, and to extend and amend laws relating to housing and urban development, and ask unanimous consent that the statement of the managers on the part of the House be read in lieu of the report.

The Clerk read the title of the bill.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

There was no objection.

The Clerk read the statement.

(For conference report and statement, see proceedings of the House of July 23, 1968.)

Mr. PATMAN (during the reading). Mr. Speaker, I ask unanimous consent, in view of the fact that the conference report on this bill was printed in the RECORD on July 23, Tuesday, at pages H7278 to H7324, that further reading be dispensed with.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

Mr. GROSS. Mr. Speaker, reserving the right to object, and I hope I shall not have to object, I assume the gentleman will take adequate time to explain the changes that were made in the bill.

Mr. PATMAN. Yes, sir. Within the limitations allowed for debate.

Mr. GROSS. And yield for some questions.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

There was no objection.

CALL OF THE HOUSE

Mr. TALCOTT. Mr. Speaker, I make the point of order that a quorum is not present.

The SPEAKER. Evidently a quorum is not present.

Mr. ALBERT. Mr. Speaker, I move a call of the House.

A call of the House was ordered.

The Clerk called the roll, and the following Members failed to answer to their names:

[Roll No. 286]

Anderson, Tenn.	Fulton, Tenn.	Landrum
Ashley	Gallagher	Long, La.
Blanton	Green, Oreg.	McEwen
Bolling	Gubser	Mathias, Calif.
Carter	Gurney	Moore
Celler	Halleck	O'Hara, Ill.
Clark	Hanna	Podell
Cowger	Hansen, Idaho	Rarick
Cunningham	Hawkins	Resnick
Dent	Hays	Rhodes, Pa.
Diggs	Hébert	Rivers
Dole	Herlong	Snyder
Dow	Holifield	Stuckey
Edwards, La.	Holland	Sullivan
Eilberg	Jacobs	Teague, Tex.
Evins, Tenn.	Johnson, Pa.	Tuck
Fino	Karsten	Wiggins
Flood	Kirwan	
	Kupferman	

The SPEAKER pro tempore (Mr. ALBERT). On this rollcall, 379 Members have answered to their names, a quorum.

By unanimous consent, further proceedings under the call were dispensed with.

CONFERENCE REPORT ON S. 3497, HOUSING AND URBAN DEVELOPMENT ACT OF 1968

The SPEAKER pro tempore. The gentleman from Texas is recognized for 1 hour.

Mr. PATMAN. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, the conference report on S. 3497, the Housing and Urban Development Act of 1968, which is now before the House, authorizes several important new programs and makes numerous amendments to existing law. Naturally, in an omnibus proposal of this scope a great number of differences between the two houses can be expected. About 159 items were considered during the 5 days of conference. Many of these were minor or technical, others represented different, but not conflicting approaches. As the statement of managers indicates, we were able to maintain a substantial proportion of the significant House positions. The House receded on 57 items and the Senate receded on 102 items.

Titles I and II of the conference report contain the heart of our housing assistance for lower income families—through homeownership and rental housing. One of the most important and controversial items considered for the new homeownership and rental assistance program is what maximum income limit would be established for eligibility under these programs. Both bodies have tried to assure, through statutory restrictions, that assistance is directed to the neediest families. The House guidelines are substantially incorporated in the report, with modifications which I believe perfect the intent of the House.

The House formula restricted eligibility to families whose incomes were not in excess of 130 percent of the limits for continued occupancy in public housing dwellings. The conference report modifies this formula by generally lowering the basic income limits that will apply to the use of 80 percent of the funds. The formula worked out by your conferees is based on 135 percent of the much lower income limits for initial occupancy in public housing dwellings and makes an allowance of $300 for each minor child. Many Members have indicated, however, that in their districts because of very high construction costs and other factors a restrictive income formula that is generally valid would be unfair. The bill as passed by the Senate contained an exception to permit up to 20 percent of the contract funds to go to families whose incomes exceeded the formula limits. The conference report adopts this exception, but with an important change to insure that assistance is still directed to the lowest possible income levels. This change is to place an income ceiling on use of this 20-percent exception which did not appear in the Senate bill. Under the conference version, the maximum ceiling under this exception would be 90 percent of the limits for occupancy in a 221(d)(3) below-market interest rate project, with a $300 allowance for each minor child. Also, the conference report adds a requirement that a preference must be given to families with the lowest possible incomes who can afford the housing.

We were able to keep four out of five public housing provisions appearing in the House but not in the Senate bill. The Senate conferees insisted, however, on retaining the provision on tenant services which was not included in the House-passed bill. We did obtain agreement on a 25-percent reduction in the appropriation authorization for this program.

Title III of the conference report makes various amendments to Federal Housing Administration programs. A number of relatively minor differences were resolved, some in favor of the House provisions and others in favor of the Senate provisions.

Title IV of the conference report authorizes Federal guaranties of bonds to finance new community development. While there had been no similar provision in the House bill, the subject had been discussed in the committee and the Subcommittee on Housing heard testimony on new communities earlier this year. The Senate was adamant on its provision which holds promise for relieving population pressures on the big cities in the long run.

Title V of the conference report makes various amendments to the urban renewal program. Most of the differences were resolved in favor of the House provisions. With minor modifications, all the House provisions relating to the rehabilitation loan program were agreed upon. These include generally limiting rehabilitation loans to borrowers whose incomes are within 221(d)(3) BMIR limits, authorizing annual appropriations of $150 million through June 30, 1973, and extending loans to properties which are determined to be uninsurable after an inspection under the national insurance development program.

Title V also includes a significant House provision requiring that a majority of the housing units provided in each community's new residential urban renewal areas be for low- and moderate-income families, with at least 20 percent for low-income families. However, the conferees agreed to permit the Secretary of Housing and Urban Development to waive the latter figure to the extent that such housing is not needed. In order that this discretion is not abused, however, a report to the Banking and Currency Committees on each waiver is required. The Senate conferees, however, insisted on their provision to permit grant authority for interim assistance for blighted areas, but we were able to reduce the authorization from $20 million to $15 million.

There were not many substantial differences in titles VI, VII, VIII, IX, and X of the bill and all but a few of the House differences were retained. For the very important water and sewer grant program, we were able to achieve a net increase in authorization of $265 million, as opposed to an increase of only $115 million in the Senate bill. We also retained the new self-help housing provisions for rural areas which were in the House bill but not the Senate bill.

Mr. Speaker, I would like now to move on to the insurance programs in the conference report. We were very successful here in having the House approaches accepted. With respect to the administration of the riot reinsurance program, the Senate version placed it in a new corporation within HUD, while the House version placed all the authority with the Secretary. The latter approach is adopted by the conference report. In addition, the conferees thought it desirable to establish an insurance administrator within the Department, at executive level IV, who would administer both this program and the flood insurance program under the supervision of the Secretary. This is in lieu of an executive director, at the same level, for just the riot reinsurance program provided in the Senate bill.

We were also able to obtain agreement on the House approach to financing payments on insurance claims for both programs. For the riot reinsurance program, the Senate version provided no limit on borrowing authority, while the House version placed a limit of $150 million with any further sums to be determined by joint resolution. The conference report adopts a specific limit, but increased it to $250 million. For the flood insurance program, the Senate version provided borrowing authority of $500 million plus such additional sums as the President might authorize, while the House version placed a limit of $150 million. Again, the conference report adopts a limit of $250 million.

Mr. Speaker, I have one final matter in connection with title XI, the new urban insurance program. Last month, it was brought to my attention that during the Senate District Committee hearings, the insurance industry proposed a model insurance code. This code was supposed to be the kind of proposal that the insurance industry had in mind for the FAIR plans. I was quite disturbed at the insurance industry's proposal because I did not feel that it offered to the residents of our inner city areas the kind of insurance guarantees that we are trying to provide them through this bill. Therefore, on June 28, 1968, I wrote to the Secretary of the Department of Housing and Urban Development outlining my objections to this proposed

model code and inquiring as to the Secretary's view as to whether or not he felt that this code was the type of proposal he would approve as an adequate FAIR plan.

Fortunately, Secretary Weaver replied that the code is "inconsistent with the criteria set forth in the proposed Federal legislation and unresponsive to its objectives."

Mr. Speaker, as part of the legislative history on this historic housing legislation, I include my correspondence with the Secretary of Housing and Urban Development on this subject.

The conference report also contains a provision from the Senate bill designed to protect prospective home buyers from fraud or misrepresentation in the case of interstate land sales where the buyer may not be able to inspect the property personally.

Mr. Speaker, there are other changes made in conference and they are described in the statement of the managers. We believe they are reasonable and can be justified.

The conference report is a great achievement of the 90th Congress and a clear indication of our determination to overcome the blight of rural and urban areas. I urge every Member of the House to support it.

The correspondence referred to follows:

JUNE 28, 1968.

Secretary ROBERT C. WEAVER,
Department of Housing and Urban Development, Washington, D.C.

DEAR MR. SECRETARY: The purpose of this letter is to solicit your comments with respect to a rather serious development on the Urban Insurance Bill. It appears there are grave differences between Congressional intent on the FAIR Plan proposal and a recent insurance company proposal for a "model" FAIR plan, a copy of which is enclosed. This proposal came to light during the Senate District Committee's hearings on the D.C. FAIR Plan bill when industry witnesses proposed the model plan. It was also discussed at a recent meeting of the National Association of Insurance Commissioners held in Portland, Oregon, last week. Although the NAIC rejected the plan, many commissioners thought it acceptable.

You or your staff may recall that early in the legislative stage a "waiver" amendment was proposed by your Department and accepted by the Congressional sponsors. This amendment emanated from discussions between HUD, the industry and state commissioner representatives and provided that the Secretary may modify or waive one or more FAIR plan criteria where the purpose of the act would be better served or where compliance is unnecessary or inadvisable under local conditions or State law. (See 1214(a)7).

My fear is that some misguided or uninformed State commissioner may request such a modification or waiver in order to effectuate this industry "model" code which flouts the concept and intent of the Bill.

A few features of the industry "model" bill are illustrative. It is particularly puzzling, for example, why the industry should now seek to attempt to impose limits on the amount of insurance it will place through the Industry Placement Facility, when the industry assured the Housing Subcommittee it would attempt to use this facility to broaden the market for insurance and when such a proposal is in contradiction to the specific provisions of H.R. 17989.

It is also puzzling why the industry should propose that property owners be required to make their own diligent—and presumably fruitless—search for insurance before obtaining an inspection of their property, when H.R. 17989 specifically provides that no owner is to be denied property insurance without an inspection. This particular industry proposal seems to be even more restrictive than the present urban area plans which the Hughes Panel found wanting, and seems to indicate that the industry will be less willing to provide insurance in the urban core with federal backup than without it. Similarly, the industry seems intent on limiting the operation of FAIR Plans and other programs to urban renewal areas, when even now many urban area plans cover an entire city, and in spite of the fact the Subcommittee rejected this proposal by the industry.

Further, and perhaps most important, it is surprising to see the industry proposing a self-regulatory program at the State level when in its testimony before the Congress it strongly urged the federal legislation provide for greater State regulation, not industry self-regulation. In fact the industry's "model" legislation seems designed to limit the State insurance authority to performing a merely passive role of approving or disapproving whatever programs the industry might like to provide.

The insurance industry has assured the Committee that it stands ready to carry out faithfully the recommendations of the Hughes Panel and the provisions of the Federal legislation. I supported the legislation on this understanding, and on the understanding that industry performance would be subject to close supervision by State insurance regulators who would have authority to initiate and impose whatever additional requirements were necessary to meet particular local conditions.

Your views on this subject at this juncture would be of immeasurable assistance in clarifying the intent to afford to inner city residents and businessmen the fullest opportunity to purchase essential property insurance. I think it important that we have your views prior to the House debate in order to avoid confusion and possible opposition.

The favor of an early reply will be appreciated.

Very truly yours,

WRIGHT PATMAN,
Chairman.

THE SECRETARY OF HOUSING AND URBAN DEVELOPMENT,
Washington, D.C., July 8, 1968.

Subject: Urban Insurance Bill—Title X, H.R. 17989.

Hon. WRIGHT PATMAN,
Chairman, Committee on Banking and Currency, House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: This is in reply to your letter of June 28, 1968, requesting our views concerning a recent insurance industry FAIR Plan proposal which was submitted to the Senate Committee on the District of Columbia in connection with its consideration of S. 3556, the proposed "District of Columbia Insurance Placement Act." Your letter identifies several of the instances where the industry proposal deviates from the minimum criteria specified in the proposed Federal legislation, and expresses special concern about the limited role of the State insurance commissioner under the industry proposal. You also indicate that you are fearful that the "waiver" provision in section 1214(b) of the Federal bill might be used to effectuate the industry proposal.

This Department shares your concern about the inadequacies of the so-called "FAIR Plan" proposed by the insurance industry in connection with the pending District of Columbia legislation. This proposal is inconsistent with the criteria set forth in the proposed Federal legislation and unresponsive to its objectives. Such a plan would clearly fail to satisfy the requirements for the provision of Federal reinsurance under section 1221 of the proposed legislation. It should be noted in this connection, that this Department has supported S. 3556, the proposed "District of Columbia Insurance Placement Act," as it was introduced by Senator Tydings. I'm sure you agree that S. 3556 is in accord with the requirements of the Federal legislation in all respects, including the requirement for close State supervision.

In the event that title X of H.R. 17989 is enacted, you may be assured that this Department will administer its provisions in a manner that is fully consistent with the spirit and intent of the legislation. Only those States with FAIR Plans which satisfy the statutory criteria will be provided Federal reinsurance coverage. Active participation and supervision of the plan by the State insurance authority will be an essential element in any plan. This Department is especially mindful of its obligation to administer the FAIR Plan program so as to assure the availability of property insurance to residents and busineses in our urban areas. In no event would we permit the waiver provision of section 1214(b) to be used to dilute the effectiveness of the FAIR Plan requirement.

As you may know, a detailed analysis of the deficiencies contained in the insurance industry proposal for the District of Columbia, prepared by a former staff member of the Hughes Panel, has been furnished to the insurance industry. We understand that the insurance industry is in the process of modifying its model plan in light of that analysis. We are also advised that industry representatives are working with staff members of the Senate District Committee in developing an insurance program for the District of Columbia, based on S. 3556, which will satisfy the requirements of the Federal legislation and meet the needs of the industry.

Sincerely yours,

ROBERT C. WEAVER.

Mr. Speaker, at this point I would like to yield to the gentleman from New Jersey [Mr. WIDNALL], the ranking minority member, 30 minutes for purposes of debate.

Mr. WIDNALL. Mr. Speaker, I rise in support of S. 3497 as amended by the House. To say that this is the biggest housing bill that has ever been before us is redundant. It has 17 titles and perhaps 200 sections and subsections. I know of no other bill of this size and breadth.

There is much in this bill that is easy to support, particularly homeownership for lower income families. A year ago, Senator PERCY in the other body with 36 cosponsors and I, in the House, joined by 112 Republican Members, presented the National Homeownership Foundation program. The administration did not take kindly to the idea, and attacked our proposal most vigorously, to use their own phrase. Remembering how they once attacked a minority proposal for rent certificates, and how they have since used it with growing approval, I was not surprised—even a little flattered—when they embraced our philosophy of homeownership and made it the lead title in their giant housing bill that the gentleman from Pennsylvania [Mr. BARRETT] has now piloted so well through the Congress.

In addition to homeownership, there are other titles which, sponsored by the minority, I am sure should be persuasive

to this side of the aisle. I refer to the insurance titles, particularly that dealing with flood insurance, which at my instance, was added in the full Banking and Currency Committee executive hearings; to title XV, FHA Insurance for Hospital Construction, which was co-sponsored by the distinguished minority leader, the gentleman from Michigan; the urban mass transportation title; the title setting up national housing goals and providing for annual reports as to how well they are being reached; a new setup for FNMA that takes the first step toward returning it to private control where it should be. There are also a number of improving amendments which I or other Republicans sponsored, dealing with such matters as increased authorizations for water and sewer grants, a most vital program; improvements in the handling of administration of the rent certificate-leased housing program, of the 312 rehabilitation program, instituting needed business-type budgets in FHA, and other matters.

Mr. Speaker, the conferees retained in the bill the House amendment which I authored in committee, and which was greatly improved from the contributions of Congressmen REUSS and BROCK, relating to low- and moderate-income housing within residential urban renewal projects. The amendment directs that a majority of the units in a community's residential urban renewal projects must be for low and moderate income families, with a 20-percent floor for low-income units. The only modification made in conference was to allow the Secretary some discretion on the 20-percent figure. Conferees had the one project community in mind, and the report makes clear that the Secretary is to file with Congress a report on each exception allowed.

In connection with section 412, it should be noted that existing moderate-income housing programs under State sponsorship, as in New York and New Jersey, will continue to qualify for inclusion in the aggregate number of units figure for units serving low and moderate income families, just as they qualified under the old section 105(f) which I authored in 1966. These programs are of considerable value in high cost metropolitan areas in conjunction with urban renewal.

The conference also retained, with two modifications, the income limitations placed on the 312 low-interest rehabilitation loan program. When I authored that program in 1964, it required applicants to show that they could not obtain loans from other sources on reasonable terms and conditions. The wording was changed by the other body in 1965 to read "comparable" instead of "reasonable," and as a result anyone of any income level could be assisted. This year the new change is for the better. Now that the Congress has authorized mortgages down to 1 percent interest, I would hope that the Department of Housing and Urban Development would make use of the flexibility built into the rehabilitation loan program in 1964 which allows interest rates below 3 percent at the discretion of the Secretary. Again, this would be an added tool in high cost areas, to aid those with lower incomes.

The reason the House conferees did not immediately sign the report of the managers after the conclusion of the conference was that we were greatly disturbed by the impact of the eligibility income limits which the conference set in title I of the bill, where we are attempting to establish homeownership for lower income families. These figures run to almost $11,000 in New York City, just below $10,000 in Chicago, Detroit, Los Angeles, Boston, Newark, and Milwaukee to cite a few examples. They are not as generous in Philadelphia and other places, but still well above the $6,000 figure cited so often in testimony by the Secretary of Housing and Urban Development as the top range in which the new program would operate. Yet HUD has made representations to the effect that it must have these higher income limits to make the program work. At any rate with income limits like these, it hardly appears to be a program for lower income families.

I still support passage of the legislation, reassured by the statement in the conference report in relation to this problem which "directs the Secretary to the maximum extent practicable to use the authorized funds for the lowest income families for whom homeownership is practicable." Given that guidance I have high hopes that the goals of the original Percy-Widnall proposals will be gained.

With that in mind, and giving my personal assurance that I will do everything possible within reason to attain these goals, Mr. Speaker, I urge my colleagues to support the legislation.

Mr. Speaker, I yield 4 minutes to the gentleman from Pennsylvania [Mr. WILLIAMS].

Mr. WILLIAMS of Pennsylvania. Mr. Speaker, I would like to say that I agree with the distinguished gentleman from New Jersey when he states that there is much in this bill that is good. This is the reason that I voted for the original bill.

However, you will recall that we had a recommittal motion, and on that recommittal motion by an overwhelming vote we took out tenant services and interim aid to blighted areas, both of which are new programs and in my opinion of very questionable value.

Now, the conference put back in this bill for tenant services a total of $45 million for the next 2 years. The original figure was $60 million.

Under the tenant services are such things as counseling on household management, housekeeping, budgeting, money management and child care.

I want to tell the Members that almost every State welfare department, almost every municipal welfare department, and all Community Chest and United Front oriented organizations are supporting this sort of counseling all over this country right now for poor families.

Also in the other matter of interim assistance for blighted areas this was taken out of the House bill altogether, a brandnew program. This was put back in and, rather than the original $20 million, $15 million was put in.

Let me read to the Members just some of the things that this interim aid for blighted areas is to be used to repair: Streets, sidewalks, parks, playgrounds, public utilities, and public buildings.

And it goes on to include improvement of garbage and trash collection, street cleaning, and similar activities.

Every one of these activities today is a direct responsibility of local government.

If we are going to put $15 million in here, you are going to have the mayor of virtually every major city down here to get a grant for street cleaning or garbage or trash collection or fixing up their sidewalks and streets; $15 million will prove to be only a drop in the bucket.

Once these two programs get started, you can rest assured these appropriations will continue to increase rapidly every year.

On this interim aid for blighted areas for streets, sidewalks, and trash and garbage collection and street cleaning, if we start appropriating money for Federal grants for such purposes all we will be doing is paying a premium to poor and inefficient local government for their failure to do their job.

Mr. Speaker, I urge the defeat of this conference report.

Mr. BROWN of Michigan. Mr. Speaker, will the gentleman yield?

Mr. WILLIAMS of Pennsylvania. I yield to the gentleman.

Mr. BROWN of Michigan. Mr. Speaker, as a conferee on the House bill, I found it difficult to sustain the conference position insofar as tenant services and interim services are concerned.

I was one of those who opposed the motion to recommit—the motion to recommit having consisted of the interim services and tenant services provisions.

The House having worked its will in the motion to recommit, I felt as a conferee I was obligated to support the position of the House with respect to these two matters.

I am sorry that the other conferees on the part of the House did not feel so committed.

I may not concur with the rationale that the gentleman in the well has stated with respect to these two matters but I certainly concur with his position that the House position should have been sustained in conference.

Mr. WILLIAMS of Pennsylvania. I simply want to say this to you—if the other managers on the part of the House did not sustain the position of the House after the overwhelming recommittal vote which removed these two sections from the original bill, in my opinion, they were not doing the job as it should have been done.

Mr. GROSS. Mr. Speaker, will the gentleman yield?

Mr. WILLIAMS of Pennsylvania. I yield to the gentleman.

Mr. GROSS. I want to join the gentleman in his protest to the adoption of this conference report because of the action of the conference committee in reinserting in the bill $45 million for tenant services and intertenant activities, as it is called.

Mr. PATMAN. Mr. Speaker, I yield to the gentleman from Colorado [Mr. ROGERS.]

(Mr. ROGERS of Colorado asked and was given permission to revise and extend his remarks.)

Mr. ROGERS of Colorado. Mr. Speaker, President Johnson, reporting to us on the state of the Union at the opening of this session, said:

> Surely a nation that can go to the moon can place a decent home within the reach of its families . . . We must make it possible for thousands of families to become homeowners, not rent-payers.

The Housing and Urban Development Act of 1968 opens new avenues for achieving homeownership for our lower income constituents, allowing them to cease being rentpayers and to invest that money in their own future.

As you know, the Housing and Urban Development Act of 1965 contains many innovations that carry us forward in our pursuit of the national housing goal, "a decent home and a suitable living environment for every American family."

This bill enables a homeowner to apply his labor on that home as equity on it. It offers a man who is renting the chance to buy his home. Those who already own homes will be able to make necessary repairs and improvements. Owners and tenants of homes uninsurable because of physical hazards would become eligible for rehabilitation loans. Enactment of this bill affords the man who wants to help himself the opportunity to do so.

This legislation not only brings us closer to the national housing goal, but also contributes to the solution of other urban problems facing us. Low income residents in the area of a housing project will have the opportunity of employment on the project. Our older, declining areas will be revitalized, the tax base of local governments will be increased, individual living conditions will improve, tax-eaters will become taxpayers and the living environment of our cities will be enhanced.

The enactment of S. 3497 will prove to our needy constituents that this Congress is interested in them and willing to take the steps necessary to afford them the opportunities heretofore out of their reach.

At one time the moon was out of reach. This is no longer true. Now, with this bill, a decent home will be within the reach of every American family.

Mr. WIDNALL. Mr. Speaker, I yield 4 minutes to the gentleman from Tennessee [Mr. BROCK].

(Mr. BROCK asked and was given permission to revise and extend his remarks.)

Mr. BROCK. Mr. Speaker, I guess I should take this time to congratulate the majority conferees for a remarkably effective hatchet job on the amendments that was passed by this body. Virtually every one of them was stricken. I want to draw your attention to just a couple which are of concern, at least to me.

In the debate I pointed out that one area involved granting mortgage assistance to nursing homes and hospitals for the purchase of equipment. I pointed out that in most cases the equipment has a shorter life than the hospital, or the building itself, and I suggested that it might be worthy of your consideration that we have separate maturities, because the equipment was not a satisfactory guarantee for the mortgage after it had exhausted its useful life.

That amendment was agreed to by the House majority and the minority leaders, and yet we see the conference rejecting an obviously intelligent approach to financing. I cannot imagine why.

But I look through the conference report and I note repeated examples of this. In most instances you bought the Senate provisions, with very few exceptions—excepting the Anderson amendment. Even there you raised it to 135 percent. Then you still exclude 20 percent from that. So Mr. Weaver can continue his assistance programs to moderate and upper income families in order that, statistically, he can come back to the Ameriacn people and say, "Look what a good job I have done despite the obvious inadequacies and failures of a miserably mismanaged program." And the House plays the game—allows him to continue this sort of thing.

The minority in its effort to amend this bill made an effort to be responsible. We made an effort to improve the bill, particularly on the motion to recommit. We could have offered a motion to recommit striking the whole billion dollars for these demonstration cities, and with the mood of the House on that particular day I believe that we would have passed that motion. But, no, we limited ourselves to a sincere effort to improve. We expected some support of the House position from the Members of the House who attended the conference. This we did not receive, except from a few Members of the minority.

Mr. SCOTT. Mr. Speaker, will the gentleman yield?

Mr. BROCK. I yield to the gentleman from Virginia.

Mr. SCOTT. Could the gentleman tell me just how, moneywise in total funds, this report differs from the bill as it passed the House? Is it more overall money, or how does it compare?

Mr. BROCK. It is considerably more, but I cannot give the gentleman an honest figure, because I do not have it, and I am not sure that it is available. I will state that it is in excess of $400 million.

Mr. Speaker, I ask the defeat of this conference report.

Mr. LLOYD. Mr. Speaker, will the gentleman yield?

Mr. BROCK. I yield to the gentleman from Utah.

Mr. LLOYD. Mr. Speaker, I thank the gentleman for yielding.

Mr. Speaker, I note in the conference report under title IV, Guarantees for Financing New Community Land Development, which begins on page 42, there is authorization for the sum of $250 million, and that is on page 45.

Mr. BROCK. That is correct.

Mr. LLOYD. Mr. Speaker, does the gentleman know whether that is also a new title that was not included in the House bill as it was passed?

Mr. BROCK. Yes, it is entirely new.

Mr. LLOYD. Mr. Speaker, perhaps we will have an explanation as this debate continues as to the action of the conferees in accepting that new title.

Mr. Speaker, this conference report brings to us legislation which is far different than the legislation passed by this House. I am particularly concerned about title IV, which authorizes a completely new program of guarantees in the financing of new towns. This provision was stricken in the House Banking and Currency Committee and attempts to restore it on the House floor were defeated. As originally conceived by the administration, there was an authorization in excess of half-a-billion dollars. As now accepted by the conferees the figure has been reduced to $250 million but it is obvious that we are incurring vast new debts in a time when we can least afford this blow at our fiscal ability.

In addition the conferees have accepted the reinstatement of the tenant services provision with a price tag of $20 million. I feel very sure that the American taxpayer would look upon us today almost unbelievably as it occurred to him that we were authorizing this type of new expenditure.

I voted for this legislation when it was before the House with these and other newly added provisions deleted. There are many provisions of this bill which should be enacted, and I am confident that if we refuse to accept this conference report today we will receive back a bill which we can again approve. In its present form, however, I must register my strong protest and negative vote.

Mr. BROCK. They simply washed out the action of the House in striking provisions like that.

Mr. PATMAN. Mr. Speaker, I yield 2 minutes to the gentleman from Ohio [Mr. ASHLEY].

Mr. ASHLEY. Mr. Speaker, in response to the question the gentleman just propounded as to how the new community section found its way into the conference report, of course it is entirely true that the House bill did not contain this provision. It is just as true and just as apparent that the other body, after due consideration in committee and on the floor, wrote it into their Senate bill. In conference the matter was discussed and deliberated at considerable length, and, upon the basis of the merits of the argument, the House conferees acceded to the Senate conferees. There is nothing very new, startling, or alarming about this procedure.

Mr. BROCK. Mr. Speaker, will the gentleman yield?

Mr. ASHLEY. I yield to the gentleman from Tennessee.

Mr. BROCK. Mr. Speaker, on some 40 to 50 areas of substantive disagreement, can the gentleman name me more than two in which the House did not accept the Senate version?

Mr. ASHLEY. That is indeed possible. The House receded on 57.

Mr. BROCK. Fifty-seven. I was understating the case. I am sorry. The Senate receded on language, we receded on substance.

Mr. ASHLEY. And the Senate receded on 102 items.

Mr. BROWN of Michigan. Mr. Speaker, will the gentleman yield?

Mr. ASHLEY. I yield to the gentleman from Michigan.

Mr. BROWN of Michigan. Mr. Speaker, I commend the gentleman from Tennessee, however, for his efforts in the House in restoring the 25 percent of income figure to the rent supplement program. In the House the percentage had been reduced to 20 percent. In conference we were able to accept the Senate provision which put it back up to 25 percent.

Mr. BROCK. Mr. Speaker, I thank the gentleman.

Mr. WIDNALL. Mr. Speaker, I yield 4 minutes to the gentleman from Illinois [Mr. ANDERSON].

(Mr. ANDERSON of Illinois asked and was given permission to revise and extend his remarks.)

Mr. ANDERSON of Illinois. Mr. Speaker, I want to take this brief opportunity to commend the House conferees for insisting on an income formula for eligibility for the new housing programs which bear a striking resemblance to the formula which I had the privilege of offering to the House and which was approved by a substantial majority.

However, more significant than the formula itself is the decision by the Congress in approving this conference report to withdraw—or perhaps "retreat" is a better word—from the middle- or moderate-income orientation which has characterized the section 221(d)(3) program.

In 1961 Congress enacted the section 221(d)(3) program as one for moderate-income families, families ranging far beyond the national median income. It was a program which held out a false hope to more than 70 percent of American families that they too were entitled to some housing subsidy.

The new programs in the housing bill are substitutes for section 221(d)(3). The record is clear that their enactment means a phasing out of the 221(d)(3) program. However, what is more significant is that the beneficiaries of the two new programs are to be within income ranges substantially below those for the section 221(d)(3) program. In other words, this conference report is a move away from the moderate-income subsidy concept and toward helping those families of lower income.

I have taken a random sampling of 18 cities and note that the conference report reduces the income ceilings from that recommended by the administration by as much as $2,950 in Washington, D.C. In most other ctiies the reduction varies from $1,100 to $2,600, and in only one instance was the reduction less than $500, and this was in my home community of Rockford—a reduction of $40. I find it difficult to believe that this change in the formula would, for example, involve a reduction in income level eligibility in Milwaukee of $1,180, in Cleveland of $2,060, in St. Louis of $1,150, and in Rockford of only $40. Certainly, this bookkeeping could not be the result of any special consideration which the Secretary of Housing and Urban Development entertains for me and my congressional district.

Perhaps the Secretary is trying to tell me that public housing in Rockford, Ill., unike most other cities, does not serve the poor and therefore the formula in the conference report is almost equal to the section 221(d)(3) limits. If this be the case then the Secretary, rather than needling me with this anamoly, should concern himself with the poor in Rockford and discover why the income limits for admission and continued occupancy in public housing in Rockford are higher than other cities of comparable size in Illinois and throughout the country.

I believe the Department of Housing and Urban Development should make available the income limits for admission to public housing and section 221(d)(3) projects before or during congressional committee consideration of housing legislation. For example, the new limits for section 221(d)(3) were made available upon the eve of conference consideration of the housing bill. On Thursday, July 18, I requested by telephone, of the Office of the Assistant Secretary for Housing Assistance and Renewal, a copy of the new limits for admission to public housing. I thought perhaps that these admission ceilings had been raised and that I was using obsolete figures bearing a 1966 date. Instead of complying with my request, a messenger from the Department gave me a comparison of the income limits based on the various proposed formulae under consideration by the conferees. Fortunately, I have a rudimentary knowledge of algebra and was able to compute the income admission figures which I desired. But I though it highly significant that HUD did not have available for a Member of Congress the current admission figures for public housing at a time when the Congress was considering housing legislation geared to public housing admission levels.

I believe that the Secretary owes a greater obligation to the Congress than he displayed in his approach to congressional consideration of this bill. After all, it was the Secretary himself who, in his testimony before the House Housing Subcommittee—pages 184 and 185 of the hearings—said that in defining "low and moderate income families"—the beneficiaries of these new programs, he was talking about a range, and I quote—"from $3,000 to $5,000 or $6,000 a year." Subsequently, he admitted that the upper level would be around $7,000.

Even the tables submitted for the record revealed examples of $3,000 to $6,000 a year. However, I cannot reconcile this apparent dedication to the poor with the efforts of the administration to raise these income levels to section 221(d)(3) limits which are predominantly in the $7,000 and $8,000 brackets.

I hope that the Secretary in his implementation of these new programs will make meaningful his own assurances that the beneficiaries of these programs will be in the $3,000 to $7,000 income range.

I congratulate the conferees for their rejection of the administration's request, and for their decision to redirect housing subsidies to families of lower income.

Mr. BROCK. Mr. Speaker, will the gentleman yield?

Mr. ANDERSON of Illinois. I am glad to yield to the gentleman from Tennessee [Mr. BROCK].

Mr. BROCK. I want to endorse the gentleman's remarks, and to compliment him for them.

I also want to point out to the Members of the House, had it not been for the efforts of the gentleman from Illinois we would not have income limitations in this bill. We would not have this program focused on the low-income families otherwise, because the Department of Housing and Urban Development simply refused to do it.

I compliment the gentleman for helping to provide better legislation. He has made a major and significant improvement.

Mr. ANDERSON of Illinois. I appreciate very much the gracious remarks of the gentleman from Tennessee.

Mr. Speaker, I ask unanimous consent to include with my remarks a table of income eligibility levels which shows the differences between the limitations that existed under the formula which I proposed in my amendment and the formula now brought back in the form of this conference report.

Very quickly I point out that under the original amendment the income eligibility level was $9,867, for example, for the city of Chicago, and under the conference report provisions it would be $9,810.

The SPEAKER pro tempore (Mr. MATSUNAGA). Is there objection to the request of the gentleman from Illinois?

There was no objection.

The table is as follows:

INCOME ELIGIBILITY LEVELS (FAMILY OF 5)

City and State	90 percent of 221(d)(3)	70 percent of 221(d)(3)	90 percent of 221(d)(3) plus 3 minors	Full 221(d)(3)	Public housing admission limits	135 percent of public housing admission limits	135 percent of public housing admission limits plus 3 minors	130 percent of public housing continued occupancy
Austin, Tex	$7,155	$5,565	($8,055)	$7,950	($4,400)	$5,940	($6,840)	$7,150
Birmingham, Ala	6,435	5,005	(7,335)	7,150	(3,800)	5,130	(6,030)	6,175
Boston, Mass	8,505	6,616	(9,405)	9,450	(5,900)	7,965	(8,865)	9,588
Chicago, Ill	9,090	7,070	(9,990)	10,100	(6,600)	8,910	(9,810)	9,867
Detroit, Mich	8,730	6,790	(9,630)	9,700	(5,400)	7,290	(8,190)	8,580
Washington, D.C	9,180	7,140	(10,080)	10,200	(4,100)	5,535	(6,435)	6,630
Los Angeles, Calif	9,045	7,035	(9,945)	10,050	(5,400)	7,290	(8,190)	9,360
Milwaukee, Wis	8,505	6,615	(9,405)	9,450	(5,150)	6,953	(7,853)	8,125
New York City, N.Y	9,360	7,280	(10,260)	10,400	[1] (7,476)	10,093	(10,993)	11,440
Newark, N.J	8,820	6,860	(9,720)	9,800	(4,740)	6,399	(7,299)	7,722
Philadelphia, Pa	7,470	5,810	(8,370)	8,300	(4,000)	5,400	(6,300)	6,500

[1] 2 projects with 5½-room units have an entry figure of $6,408.

Mr. WIDNALL. Mr. Speaker, I yield 1 minute to the gentleman from Georgia [Mr. BLACKBURN].

Mr. BLACKBURN. Mr. Speaker, I voted for the bill when we voted on it previously, when it was under consideration by the House. I must confess at this juncture I am going to be compelled to vote against it.

I want to make an observation regarding these numbers which are thrown around about our conceding on 57 points and the Senate conceding on 102 points. Those do not mean a thing to me.

Apparently most of the concessions dealt with the definition terms. The concessions by the Senate dealt with definition terms, but on the "gut" concessions, as to those dealing with authorizations which can go on for the next 50 or 100 years, we conceded.

We conceded on the development of a new program involving $15 million a year for an indefinite period. Apparently it is now limited to 3 years, but we know how these programs go on.

Once they get started they never get off. We can see a new community action program has started off with a $200 million authorization, and heaven knows how many years this sort of program can go on.

Mr. Speaker, I support those who would vote against this conference report.

Mr. PATMAN. Mr. Speaker, I would ask if the gentleman from New Jersey will use his time, because we have only one other speaker.

Mr. WIDNALL. That may be so, but you have 20 minutes of time left.

Mr. PATMAN. Mr. Speaker, I insist.

The SPEAKER pro tempore. Does the gentleman from New Jersey care to yield time to anyone?

Does the gentleman from Texas?

Mr. PATMAN. After the minority finishes their time.

Mr. COLLIER. Mr. Speaker, I make the point of order that a quorum is not present.

The SPEAKER pro tempore. Will the gentleman withhold his point of order for a moment?

Mr. COLLIER. I will withhold my point of order, Mr. Speaker.

Mr. WIDNALL. Mr. Speaker, I yield 1 minute to the gentleman from Kansas [Mr. WINN].

Mr. WINN. Mr. Speaker, I thank the gentleman for yielding to me.

I only wish to point out that I deeply regret that in title V, under urban renewal, the conference committee did not see fit to retain the House amendment which permitted urban renewal project payment of unreduced value upon the acquisition of property where damage has occurred by limestone quarry subsidence as was passed in the same instance for coal mines in the 89th Congress.

The report says on page 157 that there was no similar provision in the Senate bill, and obviously none is contained in the conference report. I only hope that in the future the conference committee might be able to retain such amendments and without getting public letters from HUD against such constructive amendments.

I would hope the people of the Hilltop area of Kansas City, Kans., will not only continue to be patient with the slow wheels of Federal legislation, but would also look to the State and city for immediate relief.

Mr. PATMAN. Mr. Speaker, I would like to yield 2 minutes to the gentleman from Wisconsin [Mr. REUSS].

Mr. REUSS. Mr. Speaker, I thank the distinguished chairman, and I now yield for a question from the gentleman from Maryland [Mr. MACHEN].

Mr. MACHEN. I thank the gentleman for yielding. I was disappointed in reading this conference committee report to find that my amendment accepted by the House dealing with a mandatory provision requiring the Secretary of Housing and Urban Development to notify local political subdivisions in certifying financing under 221(d)(3) was eliminated; and thus not be able to ascertain that local services such as schools, roads, and recreational areas were adequate to serve such proposed projects. Even though they say that the program might begin to be phased out, why could not this amendment have been accepted?

Mr. REUSS. I will be glad to explain to the gentleman. The other body's confereees were adamant on this point because of their feeling that the House language was insufficiently flexible. Your House conferees did stand fast but were ultimately not able to prevail. However, it is the intention of the conferees, despite the absence from the legislation of this provision that the Secretary of Housing and Urban Development would be expected as a matter of good administration in each case under 221(d)(3) to ascertain and verify that local public services, such as schools, utilities, and so on, would be available so that the project's impact would not be an improper one, and further that it be congruent with the locally adopted master plan. So we would expect that the Secretary in the exercise of good administration would achieve substantially what the gentleman from Maryland had in mind when he introduced his amendment.

Mr. WIDNALL. Mr. Speaker, I yield 3 minutes to the distinguished minority leader, the gentleman from Michigan [Mr. GERALD R. FORD].

(Mr. GERALD R. FORD asked and was given permission to revise and extend his remarks.)

Mr. GERALD R. FORD. Mr. Speaker, when this measure was before the House I supported it. I recognized even in its final House version that it was not perfect legislation. However, it was materially improved by the Anderson amendment which placed income limitations upon a very vital and, in my opinion, a very good program so that that particular portion of the bill now ends up as a program to help the poor. The House committee bill, until improved by the Anderson amendment, was too broad in that it would have provided substantial subsidy for middle-income housing.

Mr. Speaker, I was glad to support the measure in the House because of the motion to recommit which eliminated the interim services and the tenant services provision.

Also, I thought that the insurance provisions for riot and flood insurance had been carefully worked out and would provide a reasonable limitation on the Federal Government obligation and at the same time get both programs underway.

I was also glad to have included the provision involving FHA financing for hospitals, which is a breakthrough, I think, in a very important area.

I must say, however, that I am disappointed in the action of the conferees in capitulating on the interim services and on the tenant services provisions of the bill. The will of the House was not really respected in those areas, and in addition the flood and riot insurance limitations were increased, I think, unnecessarily.

Furthermore, the new-town program which was not recommended by the House committee and not included in the House version now appears in the conference report. I am opposed to that program.

Mr. Speaker, I must agree with the gentleman from Georgia who put it quite bluntly that the House conferees, although they receded in a fewer number of areas, receded in those areas which were of substance and they prevailed for the House in those areas which were really not very meaningful.

Mr. Speaker, if this conference report is approved, and I suspect it will be under these parliamentary circumstances, I think we should put on notice those who did capitulate on the interim services and the tenant services that when the appropriation bill for the funding of those programs comes to the floor of the House for consideration we will do everything we possibly can to prevent any funding whatsoever for those programs. Mr. Speaker, I say this because I do not think those programs under our current fiscal situation ought to be included in this bill or in any subsequent appropriation bill. We will also oppose the funding of other programs not included in the House version. This is the only way under this parliamentary situation that we can continue to indicate our opposition to these unwarranted programs. This is a responsible position for those who supported the House bill but who oppose certain provisions in the conference report.

Mr. PATMAN. Mr. Speaker, I yield 3 minutes to the gentleman from Ohio [Mr. ASHLEY], a member of the committee, in order that he may respond to questions propounded by the gentleman from Ohio [Mr. TAFT] concerning new communities.

(Mr. ASHLEY asked and was given permission to revise and extend his remarks.)

Mr. TAFT. Mr. Speaker, will the gentleman yield?

Mr. ASHLEY. I shall be pleased to yield to the gentleman from Ohio.

(Mr. TAFT asked and was given permission to revise and extend his remarks.)

Mr. TAFT. I thank the gentleman

for yielding to me at this time for the purpose of propounding certain questions with reference to the conference report.

Mr. Speaker, the reason that I am here is because I feel there are questions to be asked about the new communities program that have never been discussed in the House of Representatives committee report or on the floor of the House which I think ought to be brought up at this time.

Mr. Speaker, it seems to me upon a quick review of the program that there is a real danger here that while the bill is directed toward the development of areas trying to help those who need housing in this country, it may be a means of providing an excuse of running away from solving the problem of housing, particularly with reference to the problems we have in the large cities of our country and in the congested areas of our country.

I notice in the description of title IV that it seems to go only to guarantees as to land values concerning which it would be only a small part in the investment in any new towns. It seems to me, therefore, that the developers of these towns are going to tend to go again, as they have in many of the housing programs, toward moderately high income levels, and there may necessarily be a de facto segregation involved in the new community concept.

I would like to know what assurances there are that this will not occur, and what justification there is for going ahead with a program that, rather than solving the problem of the ghettos where they need to be solved, is taking them out of there into the newly developed areas away from the problems that exist.

Mr. ASHLEY. Mr. Speaker, will the gentleman yield?

Mr. TAFT. I yield to the gentleman from Ohio.

Mr. ASHLEY. Mr. Speaker, the whole approach, let me say to my colleague from Ohio, with regard to the new communities setup is based upon recognition of the fact that there are great difficulties with regard to the central city housing, so that we have greater and greater densities and more and more human beings being concentrated within the same given section in every large city in the United States.

The only hope that we have of solving our housing problems is, first of all, to renovate and make more livable the shelters within our central cities on the one hand, and at the same time to find new locations, new towns, existing towns, perhaps, in some instances, but new towns in others, that can serve as a relocation center for these desperately increasing densities within our cities at this time.

Mr. TAFT. May I say to the gentleman, that if from these apparently dense areas in the cities the people are going to move into the new towns, is there financing in this bill or contemplated to make it possible for those in the lowest economic strata who, unfortunately, find themselves in these conditions, to move to the new towns.

Mr. ASHLEY. That is exactly what we are saying.

Mr. TAFT. How is that going to be implemented, is what I would like to find out.

The SPEAKER pro tempore (Mr. MATSUNAGA). The time of the gentleman from Ohio has again expired.

Mr. PATMAN. Mr. Speaker, I yield 1 additional minute to the gentleman from Ohio.

Mr. ASHLEY. I will point out to the gentleman from Ohio that on page 43 of the conference report it is made clear that in approval for the guaranteeing of these debentures by FHA that it must include a proper balance in the new communities of housing for families of low and moderate incomes.

Mr. TAFT. What is the proper balance? Is this 20 percent? 30 percent? Why should we help those who do not need help at all when we can help those who need help 100 percent, not 30 or 40 or 50 percent?

Mr. ASHLEY. I do not quite understand the point the gentleman is driving at.

What the conference report makes absolutely clear is that we are not going to be creating new lily-white suburbs at all, but that the condition of approval is that families of lower income, to use the phrase of the gentleman from Illinois, must be taken into consideration at the same time.

The SPEAKER pre tempore. The time of the gentleman has again expired.

Mrs. SULLIVAN. Mr. Speaker, I want to express my support for the Housing and Urban Development Act of 1968. This is without doubt the most significant housing legislation the Congress has passed in many years. Its many significant provisions, if adequate appropriations are provided, will make it possible to make a real start toward the elimination of substandard housing and living conditions in America.

I am particularly pleased by the heavy emphasis this legislation places on providing homeownership for families of low and moderate income. I strongly believe that no American family should be denied the right to the security, independence, privacy, and pride which homeownership can provide. The circumstance of low income should not be permitted to frustrate legitimate aspirations of responsible people to own their own homes.

I know from personal experience that there are thousands of responsible lower income families who can and will achieve homeownership if the opportunity is provided to them. I know that the responsibilities and opportunities of homeownership can give hope and purpose to these families. Not only will homeownership strengthen these low income families, it will add stability to the fabric of our urban society.

Two years ago, I introduced an amendment to the Housing and Urban Development Act of 1966 to authorize FHA insured below market interest rate loans to assist nonprofit groups to rehabilitate slum dwellings and then to sell them to low-income families, with the below market interest rate loan going to the families to make it possible for them to own the rehabilitated dwellings. This amendment was passed by the Congress and became the section 221(h) homeownership program.

This was the first program ever passed by the Congress to make low interest rate loans available to assist low income families to become homeowners. This program received unusually quick and widespread response from private nonprofit groups all over the country. The group which pioneered in this significant and worthwhile development, and the one which received the first commitment for mortgage financing under section 221(h), was the Bicentennial Civic Improvement Association in my own city of St. Louis. Now there are 192 homeownership projects in 60 cities being financed under section 221(h).

I feel sure the legislation now under consideration, building on the successful experience under section 221(h), will make it possible for thousands of American families of low income to realize their dreams of homeownership.

Mr. Speaker, I must forgo a vote on this conference report this afternoon in order to catch a plane for St. Louis where I have a business engagement of long standing. Were I here, I would vote "yea" for the passage of this legislation.

Mr. BARRETT. Mr. Speaker, our action today on the housing bill is one of the most important actions to be taken in the 90th Congress and approval of the report will mark this Congress as one of historic importance in our efforts to eliminate slums, improve our cities, and help low-income families to obtain decent housing. Among the many new approaches to our housing and other urban problems, the greatest breakthrough in my judgment, is the aid that this bill offers for homeownership. Past housing legislation has provided vitally important assistance through public housing and through assistance for nonprofit rental housing, but our first step toward making homeownership possible for lower income families was pioneered by our distinguished colleague the gentlewoman from Missouri [Mrs. SULLIVAN], through low-interest loans to low-income families to enable them to afford homeownership. The conference report now before the House provides a greatly expanded approach to homeownership through interest subsidies which can reduce the effective rate to as low as 1 percent. These subsidies will help as many as one-half million families to become homeowners over the 2-year period covered by the bill.

A similar interest subsidy approach is also provided for rental and cooperative housing and again can reduce the cost of financing such housing to as low as 1 percent. Because the interest subsidy approach has a minimal impact on the Federal budget, since the financing is provided by private lenders, we can greatly accelerate our production of new housing to meet the needs of lower income families.

President Johnson has announced a 10-year goal of eliminating substandard housing and this goal is reaffirmed in the conference report. To do this will require a major increase in both new construction and the rate at which we are rehabiltating our existing housing supply.

The 3-year program provided in this bill will set us on course to meet that objective. In addition to the interest subsidy programs it would authorize increased funds for urban renewal together with the requirement that a majority of the housing units built in residential projects must be for low- and moderate-income families.

The conference report also authorizes the appropriation of an additional $1 billion for the model cities program which holds great promise for not only physically restoring blighted areas of our cities but also offers the people who live there a wide range of assistance. Further aid for rehabilitating our present housing supply would be provided through improvements to the present loan and grant programs. This legislation would make them available in areas not now covered and the rehabilitation grant to a homeowner would be increased from the present limit of $1,500 to $3,000.

Mr. Speaker, the conferees have worked long and hard on this legislation and I believe have made decisions which should be very favorably received in the House. All of the conferees were cooperative and constructive and I particularly want to thank the distinguished ranking minority member on our committee, the gentleman from New Jersey [Mr. WIDNALL], and his colleagues, the gentlewoman from New Jersey [Mrs. DWYER] and the gentleman from Michigan, Mr. GARRY BROWN, for their effort in fashioning the original legislation and this conference report.

Mr. Speaker, the desperate needs of our cities have resulted in turmoil throughout the country and it is imperative that we answer these pleas with the kind of solid and substantial assistance this bill will provide. The housing bill was approved by the House earlier this month by a very substantial majority and I hope that the margin of approval of the conference report will be even larger.

Mr. ST GERMAIN. Mr. Speaker, the conference report on the Housing and Urban Development bill, now before the House, would authorize many important new programs as well as improving our existing programs. I want to cite one new program which I believe to be of particular importance and which I have been closely associated with. This is the title which at long last will create a workable program of flood insurance. Tremendous destruction has been wrought in our country every year by flooding and the losses are appallingly high. In fact, they are so high that the private insurance industry has been unable to provide protection to property owners from this hazard. As long ago as 1956, a flood insurance program was enacted but it did not prove workable and has never gone into effect. Now in this bill we have worked out these problems and will create a program which has wholehearted endorsement by the insurance industry.

The question is not whether or not to accept this new insurance program or to avoid cost to the Government altogether since disaster relief entails a heavy cost. In my judgment, this is a much better approach to the problem because it assures the property owner of a prompt and known payment when disaster strikes. Also the bill is designed to encourage wiser use of land in flood-prone areas through protective zoning. I would like to point out that there is no conflict between this insurance program and the need for flood control works since it is still our aim to avoid the destruction of floods and there will be no letup in Federal aid for this purpose.

I share with a number of Members of this body a first-hand experience in the anguish and despair caused by disastrous flooding. As recently as March of this year flooding along the Blackstone River Valley caused more than $1 million in property losses for residents of the First Congressional District of Rhode Island which I represent.

In other years this district has also suffered severe and uninsured flood losses. In 1955, in my hometown of Woonsocket, Hurricane Diane caused flooding up to the level of the street lights in some areas. This one storm caused more than $38 million in property losses for the State of Rhode Island. I know the vital need for flood insurance and I support this program to make it available.

Under this cooperative Government-private industry approach the resources of the insurance companies, agents and brokers would be utilized to sell and service flood insurance coverage for homes and small businesses. In order to make coverage economically feasible for owners of existing properties which are located in identified flood-prone areas, the program permits insurance to be made at reasonable rates which in most cases would be lower than actuarial rates.

Under this legislation the Federal Government would provide for full industry participation in the flood insurance program on a feasible risk-sharing basis by providing for premium equalization payments reflecting the difference between actuarial and reasonable rates for existing properties and by assuming liability for a share of any catastrophic flood losses incurred under flood insurance policies.

Ratemaking data for flood insurance have already been collected for 42 areas and, as soon as the program goes into effect, additional areas will be studied as quickly as possible. Coverage will be made available in each area as soon as feasible after the necessary flood data have been collected. I understand that following enactment of this legislation the Department of Housing and Urban Development will undertake these studies in a number of additional areas so that flood insurance will be available at the earliest practicable date.

Mr. Speaker, I would like to mention another part of the bill in which I have a strong interest. The conference report will improve the benefits of the rehabilitation loan and grant programs by making them available in areas not now eligible. Also, the maximum rehabilitation grant to homeowners is doubled in this legislation from the present $1,500 to $3,000. These provisions will go far to help us make the best use of our existing housing supply to meet our housing needs.

Mr. Speaker, I have mentioned only two facets of the conference report which contains many more needed and constructive provisions. Taken as a whole, this bill will make a major contribution toward improving our cities and providing decent housing for all Americans. I strongly urge its adoption.

Mr. KARTH. Mr. Speaker, the Housing and Urban Development Act of 1968 caps the administration's broad effort to build a better America. It is indeed the "charter of renewed hope for the American city" which President Johnson called his urban program when it went up to Congress.

In detailing that program, the President said:

> If our cities are to be saved from the blight of obsolescence and despair, we must now firmly set the course that America will travel. There is no time to lose.

The housing bill provides the assistance our cities need for their task of rebuilding, replenishing, and revitalizing the Nation's housing and public facilities. It establishes a top priority on help for the poor through expanded job opportunities as well as improved housing.

The bill furthers this administration's pledge to end the paradox of squalor in the midst of affluence. The administration has acted on that pledge by—

Its pursuit and persistence in getting medical care for everybody over 65;

Advocating and getting needed aid for schooling of children from poor families;

Declaring war on poverty and developing a broad-gauged program for attacking it;

Giving the Nation a fundamental package of protective legislation so that all Americans could enjoy equally the full range of their civil rights;

Persisting until we now have a fair housing law;

Bringing private enterprise, with its powerful resources, into the development of housing for markets unreached before; and

Bringing opportunity for homeownership to our low-income families.

This bill, with its explicit goals of conserving and expanding the housing supply for low- and moderate-income families, encouraging new enterprise that produces jobs and houses, and giving quick, tangible, visible help to areas with the most critical and urgent needs—puts a new face on our national programs and helps to build an urban world sufficient to the needs of all Americans.

Mr. WOLFF. Mr. Speaker, the Housing and Urban Development Act of 1968 is another strong link in the chain which has been forged by the administration of President Johnson to improve the human and physical conditions in our cities.

In recent years, this administration has led the way in providing the means with which to cope with the problems of the cities and the suburbs and their people.

The remarkable record of achievement includes among others:

The Civil Rights Acts of the past 4 years which will result in the elimination of discrimination in job opportunities, in

public accommodations, housing and voting.

The provision of job training for several million disadvantaged men and women to make them able to support themselves in dignity and self-respect.

The various education acts which extend the opportunities for millions of children throughout the Nation.

The provision of health care to the elderly and to the poor through medicare and medicaid.

The various measures designed to combat the perils of pollution of the air and of the water.

The Economic Opportunity Acts which helped many millions of Americans to begin their climb out of abject poverty and despair.

The various housing measures which during the past 4 years resulted in the establishment of the Department of Housing and Urban Development, in the creation of the rent supplements program to increase the supply of housing for needy families, in the inauguration of the model cities program, the innovative program which focuses the entire complement of programs onto a poor neighborhood to restore it to a livable community.

The bill before us today adds another large measure of help—a large measure of opportunity for people to help themselves and others—to make our cities and suburbs better places in which to live, in which to work, in which to rear a family.

In general this Housing and Urban Development Act will increase the number of units which can be started under the low-rent public housing program for those who need Federal assistance to obtain decent housing.

This act will continue the effort to restore the core of our center cities and to improve the lives of those who live there through the model cities program.

This act will bring the talents and energies of private enterprise to the task of housing low-income families through the creation of an effective partnership between the Government and business.

This act will augment the existing urban renewal program and provide a new approach to the program to help cities restore and renew dying portions of the community.

The act will help cities develop modern and efficient mass transit systems and services.

The act provides for a program of helping to develop new communities to accommodate urban growth and to improve the planning for the orderly development of public facilities.

All in all, this omnibus housing bill provides the vehicle by which cities and suburbs can help themselves meet many of the current problems and by which millions of Americans can be helped to become homeowners or tenants in decent housing.

While we might have been able to do more in this area; we certainly cannot do less. I am happy to vote for the enactment of this bill.

Mr. ROONEY of Pennsylvania. Mr. Speaker, I speak in support of the Housing and Urban Development Act of 1968, a bill which provides badly needed homes for millions of America's ill housed. This bill not only enables families to own homes and rent apartments that they would otherwise be unable to afford, but it also provides for building of new housing as well as renovating existing structures. Furthermore, our cities are to be revitalized through various programs ranging from mass transportation to providing essential public facilities. These are essential if our cities are to continue to be viable places for our people to live.

The most essential features are those which deal with new ways to meet the housing needs of today's lower income families. The Federal Government would in effect, subsidize their mortgages by paying interest supplements to the mortgagors. Furthermore, already existing programs such as the turnkey and rent supplement programs are being expanded to meet the ever-increasing demands for better and more readily available housing. The rent supplement program is of special interest—it encourages privately built, financed, and owned housing. Strongly endorsed by private industry, it is already well underway. However, the program has been grossly underfunded. If it is to provide the additional 375,000 rent units proposed for the next 5-year period, additional funds of $40 million for 1970 and amounts of $100 million in each fiscal year of 1970 and 1971 must be made available.

Like rent supplements, the model cities program is well underway, but in order to achieve the goals that have been set for the program and maintain our commitment to the cities involved, additional sums of money must be available. This is a highly innovative program covering the broad social, economic, and physical problems of our cities. It also provides for a concentrated approach to these problems. It offers the communities, an opportunity to establish their own priorities, provide their own solutions, and develop new methods of approaching the problems facing them. By 1970 we will have 130 to 140 communities involved in the program. The communities involved range from whole towns to specific areas of larger cities. One billion dollars is required for supplemental grants for 1970 and for 1971. As of today, only the planning stage has been funded. If we are to insure the cooperation and support of these communities we must reassure them of our continuing commitment by funding the rest of the program.

I urge your support of this bill which is essential not only to the future growth of our cities, but more importantly to the physical and social well-being of millions of American families.

GENERAL LEAVE TO EXTEND

Mr. PATMAN. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to extend their remarks on this conference report on S. 3497 and include any relevant extraneous matter.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Texas?

There was no objection.

Mr. PATMAN. Mr. Speaker, I move the previous question on the conference report.

The previous question was ordered.

The SPEAKER pro tempore. The question is on the conference report.

Mr. WIDNALL. Mr. Speaker, on that I demand the yeas and nays.

The yeas and nays were ordered.

The question was taken; and there were—yeas 227, nays 135, not voting 70, as follows:

[Roll No. 287]

YEAS—227

Adams	Green, Oreg.	Pryor
Addabbo	Green, Pa.	Pucinski
Albert	Griffiths	Quie
Anderson, Ill.	Grover	Railsback
Andrews, N. Dak.	Gude	Randall
Annunzio	Halpern	Rees
Ashley	Hamilton	Reid, N.Y.
Aspinall	Hanley	Reifel
Barrett	Hanna	Reuss
Bates	Hansen, Wash.	Riegle
Bell	Hardy	Robison
Biester	Harvey	Rodino
Bingham	Hathaway	Rogers, Colo.
Blatnik	Hechler, W. Va.	Ronan
Boggs	Heckler, Mass.	Rooney, N.Y.
Bolton	Helstoski	Rooney, Pa.
Brademas	Hicks	Rostenkowski
Brasco	Howard	Roth
Brooks	Irwin	Roush
Broomfield	Joelson	Roybal
Brown, Calif.	Johnson, Calif.	Ruppe
Brown, Mich.	Jones, Ala.	Ryan
Burke, Mass.	Kastenmeier	St Germain
Burton, Calif.	Kazen	St. Onge
Bush	Kee	Saylor
Button	Keith	Scheuer
Byrne, Pa.	Kluczynski	Schweiker
Carey	Kyros	Schwengel
Chamberlain	Latta	Shipley
Clausen, Don H.	Leggett	Shriver
Cleveland	Long, Md.	Sikes
Cohelan	McCarthy	Sisk
Conable	McDade	Skubitz
Conte	McDonald, Mich.	Slack
Conyers	McFall	Smith, Iowa
Corman	Macdonald, Mass.	Smith, N.Y.
Culver	MacGregor	Stafford
Daddario	Machen	Staggers
Daniels	Madden	Stanton
Davis, Ga.	Mailliard	Steed
Dawson	Mathias, Md.	Steiger, Wis.
de la Garza	Matsunaga	Stephens
Delaney	Meeds	Stratton
Dellenback	Meskill	Stubblefield
Diggs	Miller, Calif.	Taft
Dingell	Minish	Talcott
Donohue	Mink	Taylor
Dow	Minshall	Tiernan
Downing	Mize	Tunney
Dulski	Monagan	Udall
Dwyer	Moore	Ullman
Eckhardt	Moorhead	Van Deerlin
Edmondson	Morgan	Vander Jagt
Edwards, Calif.	Morris, N. Mex.	Vanik
Esch	Morse, Mass.	Vigorito
Eshleman	Mosher	Waldie
Evans, Colo.	Moss	Walker
Everett	Murphy, Ill.	Wampler
Fallon	Murphy, N.Y.	Watts
Farbstein	Natcher	Whalen
Fascell	Nedzi	White
Feighan	Nix	Widnall
Foley	O'Hara, Ill.	Willis
Ford, Gerald R.	O'Hara, Mich.	Wilson, Charles H.
Fraser	O'Konski	Winn
Frelinghuysen	Olsen	Wolff
Friedel	O'Neill, Mass.	Wright
Fulton, Pa.	Ottinger	Wyatt
Fuqua	Patman	Wydler
Galifianakis	Patten	Wylie
Garmatz	Pepper	Wyman
Giaimo	Perkins	Yates
Gibbons	Philbin	Young
Gonzalez	Pike	Zablocki
Goodell	Pollock	Zwach
Gray	Price, Ill.	

NAYS—135

Abernethy	Baring	Bevill
Adair	Battin	Blackburn
Andrews, Ala.	Belcher	Bow
Arends	Bennett	Bray
Ashbrook	Berry	Brinkley
Ashmore	Betts	Brock

Brotzman	Halleck	Passman
Brown, Ohio	Hammer-	Pelly
Broyhill, N.C.	schmidt	Pettis
Broyhill, Va.	Harrison	Pirnie
Buchanan	Harsha	Poff
Burke, Fla.	Henderson	Price, Tex.
Burleson	Hosmer	Reid, Ill.
Burton, Utah	Hunt	Reinecke
Byrnes, Wis.	Hutchinson	Rhodes, Ariz.
Cabell	Ichord	Rivers
Cahill	Jarman	Roberts
Casey	Jonas	Rogers, Fla.
Clancy	Jones, N.C.	Rumsfeld
Clawson, Del	King, N.Y.	Sandman
Collier	Kleppe	Satterfield
Colmer	Kornegay	Schadeberg
Cramer	Kyl	Scherle
Curtis	Laird	Schneebeli
Davis, Wis.	Langen	Scott
Denney	Lennon	Selden
Derwinski	Lipscomb	Smith, Calif.
Devine	Lloyd	Smith, Okla.
Dickinson	Lukens	Springer
Dorn	McCloskey	Steiger, Ariz.
Dowdy	McClure	Teague, Calif.
Duncan	McMillan	Thompson, Ga.
Edwards, Ala.	Mahon	Thomson, Wis.
Erlenborn	Marsh	Utt
Findley	Martin	Waggonner
Fisher	May	Watkins
Flynt	Mayne	Watson
Fountain	Michel	Whalley
Gathings	Miller, Ohio	Whitener
Gettys	Mills	Whitten
Goodling	Montgomery	Wiggins
Griffin	Morton	Williams, Pa.
Gross	Myers	Wilson, Bob
Hagan	Nelsen	Zion
Haley	Nichols	
Hall	O'Neal, Ga.	

NOT VOTING—70

Abbitt	Gallagher	Kuykendall
Anderson,	Gardner	Landrum
Tenn.	Gilbert	Long, La.
Ayres	Gubser	McClory
Blanton	Gurney	McCulloch
Boland	Hansen, Idaho	McEwen
Bolling	Hawkins	Mathias, Calif.
Carter	Hays	Pickle
Cederberg	Hébert	Poage
Celler	Herlong	Podell
Clark	Holifield	Purcell
Corbett	Holland	Quillen
Cowger	Horton	Rarick
Cunningham	Hull	Resnick
Dent	Hungate	Rhodes, Pa.
Dole	Jacobs	Rosenthal
Edwards, La.	Johnson, Pa.	Roudebush
Eilberg	Jones, Mo.	Snyder
Evins, Tenn.	Karsten	Stuckey
Fino	Karth	Sullivan
Flood	Kelly	Teague, Tex.
Ford,	King, Calif.	Tenzer
William D.	Kirwan	Thompson, N.J.
Fulton, Tenn.	Kupferman	Tuck

So the conference report was agreed to.

The Clerk announced the following pairs:

Mr. Kirwan with Mr. Ayres.
Mr. Celler with Mr. Fino.
Mr. Hébert with Mr. Corbett.
Mr. Evins of Tennessee with Mr. Gubser.
Mr. Rosenthal with Mr. Horton.
Mr. King of California with Mr. Carter.
Mr. Dent with Mr. Johnson of Pennsylvania.
Mr. Hull with Mr. Kuykendall.
Mr. Eilberg with Mr. McClory.
Mr. Flood with Mr. Cowger.
Mr. Hays with Mr. McCulloch.
Mr. Gilbert with Mr. McEwen.
Mr. Clark with Mr. Cunningham.
Mr. Holifield with Mr. Mathias of California.
Mrs. Kelly with Mr. Kupferman.
Mr. Edwards of Louisiana with Mr. Dole.
Mr. Anderson of Tennessee with Mr. Gardner.
Mr. Blanton with Mr. Gurney.
Mr. Hungate with Mr. Hansen of Idaho.
Mr. Long of Louisiana with Mr. Quillen.
Mr. Jacobs with Mr. Roudebush.
Mr. Boland with Mr. Snyder.
Mr. Hawkins with Mr. Gallagher.
Mr. Pickle with Mr. William D. Ford.
Mrs. Sullivan with Mr. Stuckey.
Mr. Landrum with Mr. Karth.
Mr. Purcell with Mr. Rarick.
Mr. Fulton of Tennessee with Mr. Herlong.
Mr. Tenzer with Mr. Tuck.
Mr. Thompson of New Jersey with Mr. Teague of Texas.
Mr. Rhodes of Pennsylvania with Mr. Abbitt.
Mr. Podell with Mr. Karsten.
Mr. Resnick with Mr. Holland.

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

FURTHER MESSAGE FROM THE SENATE

A further message from the Senate by Mr. Arrington, one of its clerks, announced that the Senate had passed without amendment a joint resolution of the House of the following title:

H.J. Res. 1420. Joint resolution making continuing appropriations for the fiscal year 1969, and for other purposes.

The message also announced that the Senate agrees to the report of the committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H.R. 16913) entitled "An act making appropriations for the Department of Agriculture and related agencies for the fiscal year ending June 30, 1969, and for other purposes."

The message also announced that the Senate agrees to the amendments of the House to the amendments of the Senate numbered 14, 19, 24, 25, and 40 to the foregoing.

POPULAR ELECTION OF GOVERNOR OF THE VIRGIN ISLANDS

Mr. ASPINALL. Mr. Speaker, I ask unanimous consent to take from the Speaker's desk the bill (S. 450) to provide for the popular election of the Governor of the Virgin Islands, and for other purposes, with a Senate amendment to the House amendment thereto, and concur in the Senate amendment to the House amendment.

The Clerk read the title of the bill.

The Clerk read the Senate amendment to the House amendment, as follows:

Page 13, of the House engrossed amendment, strike out lines 18 to 22, inclusive, and insert:

"The following provisions of and amendments to the Constitution of the United States are hereby extended to the Virgin Islands to the extent that they have not been previously extended to that territory and shall have the same force and effect there as in the United States or in any State of the United States: article I, section 9, clauses 2 and 3; article IV, section 1 and section 2, clause 1; the first to ninth amendments inclusive; the thirteenth amendment; the second sentence of section 1 of the fourteenth amendment; and the fifteenth and nineteenth amendments: *Provided, however,* That all offenses shall continue to be prosecuted in the district court by information as heretofore, except such as may be required by local law to be prosecuted by indictment by grand jury.

"All laws enacted by Congress with respect to the Virgin Islands and all laws enacted by the territorial legislature of the Virgin Islands which are inconsistent with the provisions of this subsection are repealed to the extent of such inconsistency."

The SPEAKER. Is there objection to the request of the gentleman from Colorado?

Mr. MORTON. Mr. Speaker, reserving the right to object, and I will not object, but I would like to take this time to ask the distinguished chairman of the full Committee on Interior and Insular Affairs if the amendment that was added to this bill in the Senate is germane to the bill as passed by the House?

Mr. ASPINALL. Mr. Speaker, will the gentleman yield?

Mr. MORTON. I yield to the gentleman from Colorado.

Mr. ASPINALL. Mr. Speaker, S. 450 provides for the popular election of the Governor and Lieutenant Governor of the Virgin Islands, revises the present law relating to the appointment, tenure, and duties of the Government comptroller, and for other purposes.

This legislation also passed the House on June 17, 1968, with an amendment striking all after the enacting clause and inserting the House amendment. The other body has agreed to the House amendment with an amendment which extends to the Virgin Islands certain provisions of the U.S. Constitution not now applicable in the Virgin Islands.

These provisions are similar to those just enumerated in the bill providing for the popular election of the Governor and Lieutenant Governor of Guam, with the exception that all offenses in the Virgin Islands shall continue to be prosecuted in the district court by information, except where required by local law to be prosecuted by indictment of the grand jury.

Mr. Speaker, the amendment adopted by the other body improves the legislation and resolves technical questions raised by the House language.

I ask unanimous consent that the House agree to the amendment of the other body.

Mr. MORTON. Is this a modification of the amendment that was offered by the gentlewoman from Hawaii [Mrs. MINK] dealing with the constitutional rights of the people in the islands?

Mr. ASPINALL. If the gentleman will yield further, the gentleman is correct, and the words are satisfactory to the sponsor, Mrs. MINK.

Mr. MORTON. Mr. Speaker, I withdraw my reservation of objection.

The SPEAKER. Is there objection to the request of the gentleman from Colorado?

Mr. CAREY. Mr. Speaker, reserving the right to object, and I shall not object, I just wish to take this brief moment to commend the ranking minority member of the subcommittee which produced this legislation permitting election of the Governorship in the Virgin Islands and soon in Guam—also to point out that I believe all Americans should take note of this hour in which, from one end of our country to the other, that people can participate to a greater degree in the electoral process.

We owe this to the bipartisan nature of the sponsorship of this legislation.

Mr. Speaker, I withdraw my reservation of objection.

(Mr. ASPINALL asked and was given permission to revise and extend his remarks.)

The SPEAKER. Is there objection to the request of the gentleman from Colorado?

There was no objection.

The Senate amendment to the House amendment was concurred in.

A motion to reconsider was laid on the table.

CORRECTION OF VOTE

Mr. SAYLOR. Mr. Speaker, on rollcall No. 287 I am recorded as not voting. I was present and voted "yea." I ask unanimous consent that the permanent RECORD be corrected accordingly.

The SPEAKER. Is there objection to the request of the gentleman from Pennsylvania?

There was no objection.

CONFERENCE REPORT ON S. 3418, FEDERAL-AID HIGHWAY ACT OF 1968

Mr. FALLON. Mr. Speaker, I call up the conference report on the bill (S. 3418) to authorize appropriations for the fiscal years 1970 and 1971 for the construction of certain highways in accordance with title 23 of the United States Code, and for other purposes, and ask unanimous consent that the statement of the managers on the part of the House be read in lieu of the report.

The Clerk read the title of the bill.

The SPEAKER. Is there objection to the request of the gentleman from Maryland?

There was no objection.

The Clerk read the statement.

(For conference report and statement, see proceedings of the House of July 25, 1968.)

The SPEAKER. The gentleman from Maryland is recognized for 1 hour.

Mr. FALLON. Mr. Speaker, I yield myself such time as I may require.

Mr. Speaker, the conference report which is before the House at the present time is on a bill which the subcommittee on roads of the Committee on Public Works has worked for many months and which was brought to the floor of the House and passed unanimously without a record vote.

The conferees on the part of the House have been with the conferees from the other body for 2 weeks and I think we have brought out one of the finest road construction programs that we have ever been able to present.

Mr. Speaker, I commend the conferees on the minority side, the gentleman from Florida [Mr. CRAMER], the gentleman from Ohio [Mr. HARSHA], and the gentleman from California [Mr. DON H. CLAUSEN], as well as the chairman of our subcommittee, the gentleman from Illinois [Mr. KLUCZYNSKI], the gentleman from Texas [Mr. WRIGHT], and the gentleman from Oklahoma [Mr. EDMONDSON].

Mr. Speaker, I believe we are presenting to you a bill that is not only a workable bill but one which will go a long way toward relieving the congestion in traffic that exists today and promote safety on the highways as well as helping to build up the economy of this country, which is so important and vital to the future of America.

Mr. Speaker, I am proud to present to this Congress the unanimous conference report on behalf of the members of the House conferees on S. 3418, the Federal-Aid Highway Act of 1968. This legislation continues our great Federal aid highway program, and is, in my opinion, the most important piece of legislation covering the highway program to be reported to this body since the passage of the historic 1956 act. After 2 weeks of meetings with the Senate conferees and after great give and take, I believe the conferees on the part of the House have upheld the House position and are bringing to the House today a fine highway program for the benefit of all Americans. The legislation before you continues the authorization for the Interstate System through and including 1974. It increases the authorization for the ABC program, one of our most needed highway programs for the fiscal years 1970 and 1971 to $1.1 billion. It continues in existence at a proper fiscal level the many other necessary highway programs covered by title 23 of the United States Code. It continues on a proper financial level, due to the existing circumstances of the economy, the highway beautification program, with an overall appropriation of $25 million for the fiscal year 1970. It brings into being two needed programs for the development and increased efficiency of our urban highways, the so-called Topics program and the fringe parking program. I would emphasize once again the importance of the safety program, and there is proper funding in that program for that legislation. We also think we have taken care of the problems relating to parklands, the District of Columbia highway program, and other features such as bridge inspection, prevailing rate of wage, the Davis-Bacon section, advance acquisition of rights-of-way. One of the most important programs contained in this legislation is a meaningful relocation program, one that is essential for proper highway development and one which will take care of individuals, businesses, or organizations which are forced to relocate because of highway construction. Proper compensation is afforded to these groups under the terms of the relocation section in this report.

This is a fine conference report. This is good legislation and I recommend its adoption by the House.

Under leave to extend my remarks, I include for the benefit of the Members a breakdown by State of the apportionment each State will receive under S. 3418 covering the interstate program, the ABC program, the Topics program, and the additional special funding for the primary and secondary highways in rural areas:

EDERAL-AID HIGHWAY PROGRAM—APPROXIMATE APPORTIONMENT OF $1,100,000,000 OF ABC FUNDS AND $4,000,000,000 OF INTERSTATE FUNDS

[In thousands of dollars]

State	ABC				Interstate [1]	Total
	Primary ($495,000)	Secondary ($330,000)	Urban ($275,000)	Total ($1,100,000)	($4,000,000)	($5,100,000)
Alabama	9,576	7,296	3,688	20,560	74,749	95,309
Alaska	26,403	17,719	180	44,302		44,302
Arizona	7,114	4,612	2,050	13,776	59,422	73,198
Arkansas	7,235	5,731	1,495	14,461	24,327	38,788
California	24,129	10,996	29,692	64,817	354,722	419,539
Colorado	8,616	5,597	2,793	17,006	54,863	71,869
Connecticut	4,233	2,391	4,320	10,944	70,858	81,802
Delaware	2,432	1,621	630	4,683	9,629	14,312
Florida	9,442	5,868	7,713	23,023	67,399	90,422
Georgia	11,383	8,656	4,445	24,484	77,853	102,337
Hawaii	2,432	1,621	1,018	5,071	51,758	56,829
Idaho	5,511	3,951	580	10,042	28,257	38,299
Illinois	18,092	9,879	17,614	45,585	216,582	262,167
Indiana	10,541	7,655	6,155	24,351	76,517	100,868
Iowa	11,195	8,327	2,932	22,454	40,086	62,540
Kansas	11,138	7,773	2,691	21,602	31,990	53,592
Kentucky	8,131	6,869	2,738	17,738	67,006	84,744
Louisiana	7,549	5,418	4,293	17,260	94,949	112,209
Maine	3,590	2,730	931	7,251	26,763	34,014
Maryland	4,620	2,888	4,960	12,468	78,875	91,343
Massachusetts	5,903	2,545	9,465	17,913	98,918	116,831
Michigan	14,857	9,318	12,439	36,614	161,051	197,665
Minnesota	12,663	8,913	4,497	26,073	86,421	112,494
Mississippi	7,856	6,561	1,611	16,028	40,715	56,743
Missouri	13,419	9,179	6,095	28,693	76,124	104,817
Montana	8,942	6,205	628	15,775	74,513	90,288
Nebraska	8,642	6,168	1,582	16,392	16,427	32,819
Nevada	5,519	3,670	414	9,603	24,327	33,930
New Hampshire	2,432	1,621	726	4,779	21,969	26,748
New Jersey	6,676	2,229	11,786	20,691	110,276	130,967
New Mexico	7,592	5,122	1,326	14,040	40,793	54,833
New York	21,836	9,434	31,593	62,863	188,483	251,346
North Carolina	11,609	10,349	3,598	25,556	51,208	76,764
North Dakota	6,431	4,698	482	11,611	23,619	35,230
Ohio	16,246	10,100	15,501	41,847	168,243	210,090
Oklahoma	9,971	6,935	3,026	19,932	29,672	49,604
Oregon	7,684	5,365	2,292	15,341	84,377	99,718
Pennsylvania	17,512	11,216	17,458	46,186	198,779	244,965
Rhode Island	2,432	1,621	1,649	5,702	20,357	26,059
South Carolina	6,299	5,489	1,964	13,752	42,601	56,353
South Dakota	6,869	4,969	499	12,337	22,794	35,131
Tennessee	10,032	7,859	3,907	21,798	95,656	117,454
Texas	29,848	18,866	15,244	63,958	193,238	257,196
Utah	5,199	3,370	1,431	10,000	55,885	65,885
Vermont	2,432	1,621	294	4,347	27,549	31,896
Virginia	9,419	7,333	4,756	21,508	92,827	114,335
Washington	7,815	5,282	4,103	17,200	113,658	130,858
West Virginia	4,970	4,426	1,444	10,840	133,306	144,146

Footnote at end of table.

Public Law 90-448
90th Congress, S. 3497
August 1, 1968

An Act

82 STAT. 476

To assist in the provision of housing for low and moderate income families, and to extend and amend laws relating to housing and urban development.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled. That this Act may be cited as the "Housing and Urban Development Act of 1968". Housing and Urban Development Act of 1968.

DECLARATION OF POLICY

SEC. 2. The Congress affirms the national goal, as set forth in section 2 of the Housing Act of 1949, of "a decent home and a suitable living environment for every American family". 63 Stat. 413. 42 USC 1441.

The Congress finds that this goal has not been fully realized for many of the Nation's lower income families; that this is a matter of grave national concern; and that there exist in the public and private sectors of the economy the resources and capabilities necessary to the full realization of this goal.

The Congress declares that in the administration of those housing programs authorized by this Act which are designed to assist families with incomes so low that they could not otherwise decently house themselves, and of other Government programs designed to assist in the provision of housing for such families, the highest priority and emphasis should be given to meeting the housing needs of those families for which the national goal has not become a reality; and in the carrying out of such programs there should be the fullest practicable utilization of the resources and capabilities of private enterprise and of individual self-help techniques.

JOBS IN HOUSING; EMPLOYMENT OPPORTUNITIES FOR LOWER INCOME PERSONS IN CONNECTION WITH ASSISTED PROJECTS

SEC. 3. In the administration of the programs authorized by sections 235 and 236 of the National Housing Act, the below-market interest rate program under section 221(d)(3) of such Act, the low-rent public housing program under the United States Housing Act of 1937, and the rent supplement program under section 101 of the Housing and Urban Development Act of 1965, the Secretary of Housing and Urban Development shall— Post, pp. 477, 498. 75 Stat. 150. 12 USC 1715l. 50 Stat. 888. 42 USC 1430. 79 Stat. 451. 12 USC 1749aa note.

(1) require, in consultation with the Secretary of Labor, that to the greatest extent feasible opportunities for training and employment arising in connection with the planning, construction, rehabilitation, and operation of housing assisted under such programs be given to lower income persons residing in the area of such housing; and

(2) require, in consultation with the Administrator of the Small Business Administration, that to the greatest extent feasible contracts for work to be performed pursuant to such programs shall, where appropriate, be awarded to business concerns, including but not limited to individuals or firms doing business in the fields of design, architecture, building construction, rehabilitation, maintenance, or repair, located in or owned in substantial part by persons residing in the area of such housing.

97-900(302) O - 68

IMPROVED ARCHITECTURAL DESIGN IN GOVERNMENT HOUSING PROGRAMS

SEC. 4. The Congress finds that Federal aids to housing have not contributed fully to improvement in architectural standards. This objective has been contemplated in Federal housing legislation since the establishment of mortgage insurance through the Federal Housing Administration.

The Congress commends the Department of Housing and Urban Development for its recent efforts to improve architectural standards through competitive design awards and in other ways but at the same time recognizes that this important objective requires high priority if Federal aid is to make its full communitywide contribution toward improving our urban environment.

The Congress further finds that even within the necessary budget limitations on housing for low and moderate income families architectural design could be improved not only to make the housing more attractive, but to make it better suited to the needs of occupants.

The Congress declares that in the administration of housing programs which assist in the provision of housing for low and moderate income families, emphasis should be given to encouraging good design as an essential component of such housing and to developing housing which will be of such quality as to reflect its important relationship to the architectural standards of the neighborhood and community in which it is situated, consistent with prudent budgeting.

ANNUAL REPORT ON AREAS OF PROGRAM ADMINISTRATION AND MANAGEMENT WHICH REQUIRE IMPROVEMENT

Report to congressional committees.

SEC. 5. The Secretary shall, as early as practicable in the calendar year 1969 and in the calendar year 1970, make a report to the respective Committees on Banking and Currency of the House of Representatives and the Senate identifying specific areas of program administration and management which require improvement, describing actions taken and proposed for the purpose of making such improvements, and recommending such legislation as may be necessary to accomplish such improvements. Each such report shall include, but not be limited to, the following areas of program administration and management: uniformity and standardization in program requirements, simplification of program procedures, ways and means of expediting consideration of proposed projects and applications for assistance, the provision of more useful and specific assistance to communities, organizations and individuals seeking to utilize the Department's programs, and ways and means of combining or otherwise adapting the Department's programs to increase their usefulness in meeting the individual needs of applicants.

TITLE I—LOWER INCOME HOUSING

HOMEOWNERSHIP FOR LOWER INCOME FAMILIES

52 Stat. 9, 12 USC 1707-1715y.

SEC. 101. (a) Title II of the National Housing Act is amended by adding at the end thereof the following new section:

"HOMEOWNERSHIP FOR LOWER INCOME FAMILIES

"SEC. 235. (a) For the purpose of assisting lower income families in acquiring homeownership or in acquiring membership in a cooperative association operating a housing project, the Secretary is authorized to make, and to contract to make, periodic assistance payments on behalf of such homeowners and cooperative members. The assistance shall

be accomplished through payments to mortgagees holding mortgages meeting the special requirements specified in this section.

"(b) To qualify for assistance payments, the homeowner or the cooperative member shall be of lower income and satisfy eligibility requirements prescribed by the Secretary, and—

"(1) the homeowner shall be a mortgagor under a mortgage which meets the requirements of and is insured under subsection (i) or (j)(4) of this section: *Provided*, That a mortgage meeting the requirements of subsection (i)(3)(A) of this section but insured under section 237 may qualify for assistance payments if such mortgage was executed by a mortgagor who is determined not to be an acceptable credit risk for mortgage insurance purposes (but otherwise eligible) under subsection (j)(4) of this section or under section 221(d)(2) or 234(c) and accepted as a reasonably satisfactory credit risk under section 237; or

Post, p. 485.

68 Stat. 599.
12 USC 1715l.

"(2) the cooperative association of which the family is a member shall operate a housing project the construction or substantial rehabilitation of which has been financed with a mortgage insured under section 213 and which has been completed within two years prior to the filing of the application for assistance payments and the dwelling unit has had no previous occupant other than the family: *Provided*, That if the initial cooperative member receiving assistance payments transfers his membership and occupancy rights to another person who satisfies the eligibility requirements prescribed by the Secretary, such new cooperative member may qualify for assistance payments upon the filing of an application with respect to the dwelling unit involved to be occupied by him: *Provided further*, That assistance payments may be made with respect to a dwelling unit in an existing cooperative project which meets such standards as the Secretary may prescribe, if the family qualifies as a displaced family as defined in section 221(f), or a family which includes five or more minor persons, or a family occupying low-rent public housing: *Provided further*, That the amount of the mortgage attributable to the dwelling unit shall involve a principal obligation not in excess of $15,000 ($17,500 in any geographical area where the Secretary authorizes an increase on the basis of a finding that cost levels so require), except that with respect to any family with five or more persons the foregoing limits shall be $17,500 and $20,000, respectively.

75 Stat. 160.
12 USC 1715y.
64 Stat. 54.
12 USC 1715e.
68 Stat. 599; 80 Stat. 1317.

"(c) The assistance payments to a mortgagee by the Secretary on behalf of a mortgagor shall be made during such time as the mortgagor shall continue to occupy the property which secures the mortgage: *Provided*, That assistance payments may be made on behalf of a homeowner who assumes a mortgage insured under subsection (j)(4) with respect to which assistance payments have been made on behalf of the previous owner, if the homeowner is approved by the Secretary as eligible for receiving such assistance. The payment shall be in an amount not exceeding the lesser of—

"(1) the balance of the monthly payment for principal, interest, taxes, insurance, and mortgage insurance premium due under the mortgage remaining unpaid after applying 20 per centum of the mortgagor's income; or

"(2) the difference between the amount of the monthly payment for principal, interest, and mortgage insurance premium which the mortgagor is obligated to pay under the mortgage and the monthly payment for principal and interest which the mortgagor would be obligated to pay if the mortgage were to bear interest at the rate of 1 per centum per annum.

"(d) Assistance payments to a mortgagee by the Secretary on behalf of a family holding membership in a cooperative association operating a housing project shall be made only during such time as the family is an occupant of such project and shall be in amounts computed on the basis of the formula set forth in subsection (c) applying the cooperative member's proportionate share of the obligations under the project mortgage to the items specified in the formula.

"(e) The Secretary may include in the payment to the mortgagee such amount, in addition to the amount computed under subsection (c), (d), or (j)(7), as he deems appropriate to reimburse the mortgagee for its expenses in handling the mortgage.

"(f) Procedures shall be adopted by the Secretary for recertifications of the mortgagor's (or cooperative member's) income at intervals of two years (or at shorter intervals where the Secretary deems it desirable) for the purpose of adjusting the amount of such assistance payments within the limits of the formula described in subsection (c).

"(g) The Secretary shall prescribe such regulations as he deems necessary to assure that the sales price of, or other consideration paid in connection with, the purchase by a homeowner of the property with respect to which assistance payments are to be made is not increased above the appraised value on which the maximum mortgage which the Secretary will insure is computed.

Appropriation.

"(h)(1) There are authorized to be appropriated such sums as may be necessary to carry out the provisions of this section, including such sums as may be necessary to make the assistance payments under contracts entered into under this section. The aggregate amount of contracts to make such payments shall not exceed amounts approved in appropriation Acts, and payments pursuant to such contracts shall not exceed $75,000,000 per annum prior to July 1, 1969, which maximum dollar amount shall be increased by $100,000,000 on July 1, 1969, and by $125,000,000 on July 1, 1970.

"(2) Not more than 20 per centum of the total amount of assistance payments authorized to be contracted to be made pursuant to appropriation Acts shall be contracted to be made on behalf of families whose incomes at the time of their initial occupancy exceed 135 per centum of the maximum income limits which can be established in the area, pursuant to the limitations prescribed in sections 2(2) and 15(7)(b)(ii) of the United States Housing Act of 1937, for initial occupancy in public housing dwellings, but the incomes of such families at the time of their initial occupancy shall in no case exceed 90 per centum of the limits prescribed by the Secretary for occupants of projects financed with mortgages insured under section 221(d)(3) which bear interest at the below-market interest rate prescribed in the proviso of section 221(d)(5). The limitations prescribed in this paragraph shall be administered by the Secretary so as to accord a preference to those families whose incomes are within the lowest practicable limits for achieving homeownership with assistance under this section.

79 Stat. 457.
42 USC 1402.
63 Stat. 422.
42 USC 1415.
75 Stat. 150.
12 USC 1715l.
75 Stat. 152;
79 Stat. 454.

Report to congressional committees.

The Secretary shall report annually to the respective Committees on Banking and Currency of the Senate and House of Representatives with respect to the income levels of families on behalf of which assistance payments have been made under this section.

"(3) Notwithstanding the provisions of subsections (b)(2) and (i)(3)(A) with respect to the prior construction or rehabilitation of a dwelling, or of the project in which there is a dwelling unit, for which assistance payments may be made, and notwithstanding the provisions of subsection (j)(1) authorizing the purchase of housing which is neither deteriorating nor substandard, not more than—

"(A) 25 per centum of the total amount of contracts for as-

sistance payments authorized by appropriation Acts to be made prior to July 1, 1969,

"(B) 15 per centum of the total additional amount of contracts for assistance payments authorized by appropriation Acts to be made prior to July 1, 1970, and

"(C) 10 per centum of the total additional amount of contracts for assistance payments authorized by appropriations Acts to be made prior to July 1, 1971,

may be made with respect to existing dwellings, or dwelling units in existing projects.

"(i)(1) The Secretary is authorized, upon application by the mortgagee, to insure a mortgage executed by a mortgagor who meets the eligibility requirements for assistance payments prescribed by the Secretary under subsection (b). Commitments for the insurance of such mortgages may be issued by the Secretary prior to the date of their execution or disbursement thereon, upon such terms and conditions as the Secretary may prescribe.

"(2) To be eligible for insurance under this subsection, a mortgage shall meet the requirements of section 221(d)(2) or 234(c), except as such requirements are modified by this subsection. 68 Stat. 599. 12 USC 1715l.

"(3) A mortgage to be insured under this subsection shall— 75 Stat. 160. 12 USC 1715y.

"(A) involve a single-family dwelling which has been approved by the Secretary prior to the beginning of construction or substantial rehabilitation, or a two-family dwelling one of the units of which is to be occupied by the owner if the dwelling is purchased with the assistance of a nonprofit organization and is approved by the Secretary prior to the beginning of substantial rehabilitation, or a one-family unit in a condominium project (together with an undivided interest in the common areas and facilities serving the project) which is released from a multifamily project, the construction or substantial rehabilitation of which has been completed within two years prior to the filing of the application for assistance payments with respect to such family unit and the unit has had no previous occupant other than the mortgagor: *Provided*, That the mortgage may involve an existing dwelling or a family unit in an existing condominium project which meets such standards as the Secretary may prescribe, if the mortgagor qualifies as a displaced family as defined in section 221(f), or a family which includes five or more minor persons, or a family occupying low-rent public housing: *Provided further*, That the mortgage may involve an existing dwelling or a family unit in an existing condominium project if assistance payments have been made on behalf of the previous owner of the dwelling or family unit with respect to a mortgage insured under subsection (j)(4): *Provided further*, That the mortgage may involve a dwelling unit in an existing project covered by a mortgage insured under section 236 or in an existing project receiving the benefits of financial assistance under section 101 of the Housing and Urban Development Act of 1965; 68 Stat. 599; 80 Stat. 1317. Post, p. 498. 79 Stat. 451. 12 USC 1701s.

"(B) where it is to cover a one-family unit in a condominium project, have a principal obligation not exceeding $15,000 ($17,500 in any geographical area where the Secretary authorizes an increase on the basis of a finding that cost levels so require), except that with respect to any family with five or more persons the foregoing limits shall be $17,500 and $20,000, respectively; and

"(C) be executed by a mortgagor who shall have paid (i) in the case of any family whose income is not in excess of 135 per centum of the maximum income limits which can be established

79 Stat. 457.
42 USC 1402.
63 Stat. 422.
42 USC 1415.

in the area, pursuant to the limitations prescribed in sections 2(2) and 15(7)(b)(ii) of the United States Housing Act of 1937, for initial occupancy in public housing dwellings, at least $200, or (ii) in the case of any other family, at least 3 per centum (or such larger amount as the Secretary may require) of the Secretary's estimate of the cost of acquisition, which amount (in cash or its equivalent) in either instance may be applied for the payment of settlement costs and initial payments for taxes, hazard insurance, mortgage insurance premiums, and other prepaid expenses.

"(j)(1) In addition to mortgages insured under the provisions of subsection (i), the Secretary is authorized, upon application by the mortgagee, to insure a mortgage (including advances under such mortgage during rehabilitation) which is executed by a nonprofit organization or public body or agency to finance the purchase of housing, and the rehabilitation of such housing if it is deteriorating or substandard, for subsequent resale to lower income home purchasers who meet the eligibility requirements for assistance payments prescribed by the Secretary under subsection (b). Commitments for the insurance of such mortgages may be issued by the Secretary prior to the date of their execution or disbursement thereon, upon such terms and conditions as the Secretary may prescribe.

"(2) To be eligible for insurance under paragraph (1) of this subsection, a mortgage shall—

"(A) be executed by a private nonprofit organization or public body or agency, approved by the Secretary, for the purpose of financing the purchase (with the intention of subsequent resale), and rehabilitation where the housing involved is deteriorating or substandard, of property comprising one or more tracts or parcels, whether or not contiguous, consisting of (i) four or more single-family dwellings of detached, semidetached, or row construction, or (ii) four or more one-family units in a structure or structures for which a plan of family unit ownership approved by the Secretary is established; except that in a case not involving the rehabilitation of deteriorating or substandard housing the property purchased may consist of one or more such dwellings or units;

"(B) be in a principal amount not exceeding the appraised value of the property at the time of its purchase under the mortgage plus the estimated cost of any rehabilitation;

"(C) bear interest (exclusive of premium charges for insurance and service charge, if any) at not to exceed such per centum per annum (not in excess of 6 per centum), on the amount of the principal obligation outstanding at any time, as the Secretary finds necessary to meet the mortgage market;

"(D) provide for complete amortization (subject to paragraph (4)(E)) by periodic payments within such term as the Secretary may prescribe; and

"(E) provide for the release of individual single-family dwellings from the lien of the mortgage upon their sale in accordance with paragraph (4).

"(3) No mortgage shall be insured under paragraph (1) unless the mortgagor shall have demonstrated to the satisfaction of the Secretary that (A) the property involved is located in a neighborhood which is sufficiently stable and contains sufficient public facilities and amenities to support long-term values, or (B) the purchase or rehabilitation of such property plus the mortgagor's related activities and the activities of other owners of housing in the neighborhood, together with actions to be taken by public authorities, will be of such scope

and quality as to give reasonable promise that a stable environment will be created in the neighborhood.

"(4)(A) No mortgage shall be insured under paragraph (1) unless the mortgagor enters into an agreement, satisfactory to the Secretary, that it will offer to sell the dwellings involved, after purchase and upon completion of any rehabilitation, to lower income individuals or families meeting the eligibility requirements established by the Secretary under subsection (b).

"(B) The Secretary is authorized to insure under this paragraph mortgages executed to finance the sale of individual dwellings to lower income purchasers as provided in subparagraph (A). Any such mortgage shall—

"(i) be in a principal amount not in excess of that portion of the unpaid principal balance of the blanket mortgage covering the property which is allocable to the individual dwelling involved;

"(ii) bear interest at the same rate as the blanket mortgage; and

"(iii) provide for complete amortization by periodic payments within a term equal to the remaining term (determined without regard to subparagraph (E)) of such blanket mortgage.

"(C) The price for which any individual dwelling is sold under this paragraph shall be in an amount equal to that portion of the unpaid principal balance of the blanket mortgage covering the property which is allocable to the dwelling plus such additional amount, not less than $200 (which may be applied in whole or in part toward closing costs and may be paid in cash or its equivalent), as the Secretary may determine to be reasonable.

"(D) Upon the sale under this paragraph of any individual dwelling, such dwelling shall be released from the lien of the blanket mortgage. Until all of the individual dwellings in the property covered by the blanket mortgage have been sold, the mortgagor shall hold and operate the dwellings remaining unsold at any given time, in such manner and under such terms as the Secretary may prescribe, as though they constituted rental units.

"(E) Upon the sale under this paragraph of all the individual dwellings in the property covered by the blanket mortgage and the release of all individual dwellings from the lien of the blanket mortgage, the insurance of the blanket mortgage shall be terminated and no adjusted premium charge shall be charged by the Secretary upon such termination.

"(5) Where the Secretary has approved a plan of family unit ownership the terms 'single-family dwelling', 'single-family dwellings', 'individual dwelling', and 'individual dwellings' shall mean a family unit or family units, together with the undivided interest (or interests) in the common areas and facilities. Definitions.

"(6) For purposes of this subsection, the terms 'single-family dwelling' and 'single-family dwellings' (except for purposes of paragraph (5)) shall include a two-family dwelling which has been approved by the Secretary if one of the units is to be occupied by the owner.

"(7) In addition to the assistance payments authorized under subsection (b), the Secretary may make such payments to a mortgagee on behalf of a nonprofit organization or public body or agency which is a mortgagor under the provisions of paragraph (1) in an amount not exceeding the difference between the monthly payment for principal, interest, and mortgage insurance premium which the mortgagor is obligated to pay under the mortgage and the monthly payment for

principal and interest such mortgagor would be obligated to pay if the mortgage were to bear interest at the rate of 1 per centum per annum.

"(8) A mortgage covering property which is not deteriorating or substandard may be insured under this subsection only if it is situated in an area in which mortgages may be insured under section 221(h). Infra.

"(k) The Secretary shall from time to time allocate and transfer to the Secretary of Agriculture, for use (in accordance with the terms and conditions of this section) in rural areas and small towns, a reasonable portion of the total authority to contract to make assistance payments as approved in appropriation Acts under subsection (h)(1).

"(l) In determining the income of any person for the purposes of this section, there shall be deducted an amount equal to $300 for each minor person who is a member of the immediate family of such person and living with such family, and the earnings of any such minor person shall not be included in the income of such person or his family."

75 Stat. 149; 80 Stat. 1268. 12 USC 1715l. (b)(1) Section 221(d)(2)(A) of the National Housing Act is amended—

(A) by striking out "not to exceed (i) $12,500" and inserting in lieu thereof "not to exceed (i) $15,000 (or $17,500, if the mortgagor's family includes five or more persons)"; and

(B) by striking out "not to exceed $15,000" in the second proviso and inserting in lieu thereof "not to exceed $17,500 (or $20,000 if the mortgagor's family includes five or more persons)".

(2) Section 221(d)(2)(B) of such Act is amended—

(A) by inserting ", in cash or its equivalent" before the semicolon after "acquisition cost" in the first proviso; and

(B) by inserting before the semicolon after "appraised value" at the end thereof the following: ": *Provided further*, That, if the mortgagor is the owner and an occupant of the property, such mortgagor shall to the maximum extent feasible be given the opportunity to contribute the value of his labor as equity in such dwelling".

80 Stat. 1269. (c)(1) Section 221(h)(5)(B)(ii) of such Act is amended to read as follows:

"(ii) bear interest at the same rate as the principal mortgage or such lower rate, not less than 1 per centum, as the Secretary may prescribe if in his judgment the purchaser's income is sufficiently low to justify the lower rate, and provide for complete amortization within a term equal to the remaining term (determined without regard to subparagraph (E)) of such principal mortgage: *Provided*, That, if the rate of interest initially prescribed is less than the rate borne by the principal mortgage and the purchaser's income (as determined on the basis of periodic review) subsequently rises, the rate of interest so prescribed shall be increased (but not above the rate borne by such principal mortgage), under regulations of the Secretary, to the extent appropriate to reflect the increase in such income, and the mortgage shall so provide."

"(2) Section 221(h)(4) of such Act is amended by striking out "$20,000,000" and inserting in lieu thereof "$50,000,000".

(3) Section 221(h) of such Act is further amended by adding at the end thereof the following new paragraph:

"(6) In addition to the mortgages that may be insured under paragraphs (1) and (5), the Secretary is authorized to insure under this subsection at any time within one year after the date of the enactment of this paragraph, upon such terms and conditions as he may prescribe,

mortgages which are executed by individuals or families that meet the income criteria prescribed in paragraph (5)(A) and are executed for the purpose of financing the rehabilitation or improvement of single-family dwellings of detached, semidetached, or row construction that are owned and occupied in each instance by a mortgagor who has purchased the dwelling from a nonprofit organization of the type described in this subsection. To be eligible for such insurance, a mortgage shall—

"(A) be in a principal amount not exceeding the lesser of $15,000 or the sum of the estimated cost of repair and rehabilitation and the Secretary's estimate of the value of the property before repair and rehabilitation, except that in no case involving refinancing shall such mortgage exceed such estimated cost of repair and rehabilitation and the amount (as determined by the Secretary) required to refinance existing indebtedness secured by the property;

"(B) bear interest (exclusive of premium charges for insurance and service charge, if any) at 3 per centum per annum or such lower rate, not less than 1 per centum, as the Secretary may prescribe if in his judgment the mortgagor's income is sufficiently low to justify the lower rate: *Provided*, That, if the rate of interest initially prescribed is less than 3 per centum per annum and the mortgagor's income (as determined on the basis of periodic review) subsequently rises, the rate shall be increased (but not above 3 per centum), under regulations of the Secretary, to the extent appropriate to reflect the increase in such income, and the mortgage shall so provide;

"(C) involve a mortgagor that shall have paid on account of the property at the time of the rehabilitation such amount (which shall not be less than $200 in cash or its equivalent, but which may be applied in whole or in part toward closing costs) as the Secretary may determine to be reasonable and appropriate under the circumstances; and

"(D) contain a provision that, if the low-income mortgagor does not continue to occupy the property, the interest rate shall increase to the highest rate permissible under this section and the regulations of the Secretary effective at the time the commitment was issued for insurance of the mortgage; except that the increase in interest rate shall not be applicable if the property is sold and the purchaser is (i) a nonprofit organization which has been engaged in purchasing and rehabilitating deteriorating and substandard housing with financing under a mortgage insured under paragraph (1) of this subsection, (ii) a public housing agency having jurisdiction under the United States Housing Act of 1937 over the area where the dwelling is located, or (iii) a low-income purchaser approved for the purposes of this paragraph by the Secretary."

50 Stat. 888.
42 USC 1430.

(4) The purchase of any individual dwelling, sold by a nonprofit organization pursuant to the provisions of section 221(h)(5) of the National Housing Act after the date of enactment of this section, may be financed with a mortgage insured under the provisions of section 235(j)(4) of such Act, but such mortgage shall bear interest at the rate provided in section 235(j)(2)(C) of such Act.

80 Stat. 1269.
12 USC 1715l.
Ante, p. 477.

(d) Section 212(a) of such Act is amended by inserting "or section 235(j)(1)" after "subsection (h)(1)" each place it appears.

53 Stat. 807; 80 Stat. 1270.
12 USC 1715c.

(e) The Secretary of Housing and Urban Development is authorized to provide, or contract with public or private organizations to provide, such budget, debt management, and related counseling

Counseling services.

services to mortgagors whose mortgages are insured under section 235(i) or 235(j)(4) of the National Housing Act as he determines to be necessary to assist such mortgagors in meeting the responsibilities of homeownership. There are authorized to be appropriated such sums as may be necessary to carry out the provisions of this subsection.

Ante, p. 477.

Appropriation.

CREDIT ASSISTANCE

SEC. 102. (a) Title II of the National Housing Act is amended by adding after section 236 (as added by section 201 of this Act) the following new section:

12 USC 1707-1715y.

"SPECIAL MORTGAGE INSURANCE ASSISTANCE

"SEC. 237. (a) The purpose of this section is to help provide adequate housing for families of low and moderate income, including those who, for reasons of credit history, irregular income patterns caused by seasonal employment, or other factors, are unable to meet the credit requirements of the Secretary for the purchase of a single-family home financed by a mortgage insured under section 203, 220, 221, 234, or 235(j)(4), but who, through the incentive of homeownership and counseling assistance, appear to be able to achieve homeownership.

"(b) The Secretary is authorized upon application by the mortgagee to insure under this section any mortgage meeting the requirements of this section.

"(c) To be eligible for insurance under this section, a mortgage shall—

"(1) meet the requirements of section 203 (except subsection (m)), 220(d)(3)(A), 221(d)(2), 221(h)(5), 221(i), 234(c), or 235(j)(4), except as such requirements are modified by this section;

12 USC 1709, 1715k, 1715l, 1715y.

"(2) involve a principal obligation (including such initial service charges, and such appraisal, inspection, and other fees, as the Secretary shall approve) in an amount not to exceed $15,000: *Provided*, That the Secretary may increase the amount to not exceed $17,500 in any geographical area where he finds that cost levels so require: *Provided further*, That no mortgage meeting the requirements of section 203(h) or 203(i) shall be eligible for insurance under this section if its principal obligation is in excess of the maximum limits prescribed in such section;

"(3) be executed by a mortgagor who the Secretary has determined, after a full and complete study of the case, would not be an acceptable credit risk for mortgage insurance purposes under sections 203, 220, 221, 234, or 235(j)(4), because of his credit standing, debt obligations, total annual income, or income characteristics, but who the Secretary is satisfied would be a reasonably satisfactory credit risk, consistent with the objectives stated in subsection (a), if he were to receive budget, debt management, and related counseling: *Provided*, That, in determining whether the mortgagor is a reasonably satisfactory credit risk, the Secretary shall review the credit history of the applicant giving special consideration to those delinquent accounts which were ultimately paid by the applicant and to extenuating factors which may have caused credit accounts of the applicant to become delinquent; and the Secretary shall also give special consideration to income characteristics of applicants whose total income over the two years prior to their applications has remained at levels of eligibility (as required under paragraph (4) of this subsection), but who,

because of the character of their seasonal employment or for other reasons, have not maintained continuous employment under one employer during that time; and

"(4) require monthly payments which, in combination with local real estate taxes on the property involved, do not exceed 25 per centum of the applicant's income, based on his average monthly income during the year prior to his application or the average monthly income during the three years prior to his application, whichever is higher.

"(d) The Secretary shall give preference in approving mortgage insurance applications under this section to families living in public housing units, especially those families required to leave public housing because their incomes have risen beyond the maximum prescribed income limits, and families eligible for residence in public housing who have been displaced from federally assisted urban renewal areas. Application preferences.

"(e) The Secretary is authorized to provide, or contract with public or private organizations to provide, such budget, debt management, and related counseling services to mortgagors whose mortgages are insured under this section as he determines to be necessary to meet the objectives of this section. The Secretary may also provide such counseling to otherwise eligible families who lack sufficient funds to supply a down payment to help them to save an amount necessary for that purpose. Counseling services.

"(f) The aggregate principal balance of all mortgages insured under this section and outstanding at one time shall not exceed $200,000,000.

"(g) There are authorized to be appropriated such sums as may be necessary to carry out the provisions of subsection (e) of this section." Appropriation.

(b) Section 226 of the National Housing Act is amended by inserting "235(i), 237," after "234,". 68 Stat. 607. 12 USC 1715q.

RELAXATION OF MORTGAGE INSURANCE REQUIREMENTS IN CERTAIN URBAN NEIGHBORHOODS

SEC. 103. (a) Section 223 of the National Housing Act is amended by adding at the end thereof a new subsection as follows: 68 Stat. 605. 12 USC 1715n.

"(e) Notwithstanding any of the provisions of this title except section 212, and without regard to limitations upon eligibility contained in any section of this title, the Secretary is authorized, upon application by the mortgagee, to insure under any section of this title a mortgage executed in connection with the repair, rehabilitation, construction, or purchase of property located in an older, declining urban area in which the conditions are such that one or more of the eligibility requirements applicable to the section of this title under which insurance is sought could not be met, if the Secretary finds that (1) the area is reasonably viable, giving consideration to the need for providing adequate housing for families of low and moderate income in such area, and (2) the property is an acceptable risk in view of such consideration. The insurance of a mortgage pursuant to this subsection shall be the obligation of the Special Risk Insurance Fund." 12 USC 1715c.

(b) Section 203(l) of such Act is repealed. Repeal. 80 Stat. 1266. 12 USC 1709.

SPECIAL RISK INSURANCE FUND

SEC. 104. (a) Title II of the National Housing Act is amended by adding after section 237 (as added by section 102 of this Act) the following new section: 12 USC 1707-1715y.

"PAYMENT OF INSURANCE—SPECIAL RISK INSURANCE FUND

"SEC. 238. (a)(1) Any mortgagee under a mortgage insured under section 235(i), 235(j)(4), or 237 shall be entitled to receive the benefits of the insurance as provided in section 204(a) with respect to mortgages insured under section 203. The provisions of subsections (b), (c), (d), (g), (j), and (k) of section 204 shall be applicable to mortgages insured under section 235(i), 235(j)(4), or 237, except that all references therein to the 'Mutual Mortgage Insurance Fund' shall be construed to refer to the 'Special Risk Insurance Fund', and all references therein to section 203 shall be construed to refer to section 235(i), 235(j)(4), or 237, as may be appropriate.

Ante, pp. 477, 485.
12 USC 1710.
12 USC 1709.

"(2) Any mortgagee under a mortgage insured under section 235(j)(1) or 236 shall be entitled to receive the benefits of insurance as provided in section 207(g) with respect to mortgages insured under section 207. The provisions of subsections (d), (e), (h), (i), (j), (k), (l), and (n) of section 207 shall be applicable to mortgages insured under section 235(j)(1) or 236, except that all references therein to the 'General Insurance Fund' shall be construed to refer to the 'Special Risk Insurance Fund' and the premium charge provided in section 207(d) shall be payable only in cash or debentures of the Special Risk Insurance Fund.

Post, p. 498.
52 Stat. 9.
12 USC 1713.

"(3) In lieu of the amount of insurance benefits computed pursuant to paragraph (1) or (2) of this subsection the Secretary, in his discretion and in accordance with such regulations as he may prescribe, may (with respect to any mortgage loan acquired by him) compute and pay insurance benefits to the mortgagee in a total amount equal to the unpaid principal balance of the loan plus any accrued interest and any advances approved by the Secretary and made previously by the mortgagee under the provisions of the mortgage.

"(b) There is hereby created a Special Risk Insurance Fund (hereinafter referred to as the 'fund') which shall be used by the Secretary as a revolving fund for carrying out the mortgage insurance obligations of sections 223(e), 233(a)(2), 235, 236, and 237, and the Secretary is hereby authorized to advance to the fund the sum of $5,000,000 from the General Insurance Fund established pursuant to the provisions of section 519. Such advance shall be repayable at such times and at such rates of interest as the Secretary deems appropriate. Premium charges, adjusted premium charges, inspection and other fees, service charges, and any other income received by the Secretary under sections 223(e), 233(a)(2), 235, 236, and 237, together with all earnings on the assets of the fund, shall be credited to the fund. All payments made pursuant to claims of mortgagees with respect to mortgages insured under sections 233(a)(2), 235, 236, and 237 or pursuant to section 223(e), cash adjustments, the principal of and interest paid on debentures which are the obligation of the fund, expenses incurred in connection with or as a consequence of the acquisition and disposal of property acquired under such sections, and all administrative expenses in connection with the mortgage insurance operations under such sections shall be paid out of the fund. There is authorized to be appropriated such sums as may be needed from time to time to cover losses sustained by the fund in carrying out the mortgage insurance obligations of sections 223(e), 233(a)(2), 235, 236, and 237. Moneys in the fund not needed for current operations of the fund shall be deposited with the Treasurer of the United States to the credit of the fund or invested in bonds or other obligations of, or in bonds or other obligations guaranteed by, the United States. The Secretary, with the approval of the Secretary of the Treasury, may purchase in the open

Ante, p. 486.
Post, p. 496.
79 Stat. 471.
12 USC 1735c.

market debentures which are the obligation of the fund. Such purchases shall be made at a price which will provide an investment yield of not less than the yield obtained from other investments authorized by this section. Debentures so purchased shall be canceled and not reissued."

(b) Section 224 of such Act is amended by striking out "or section 233" and inserting in lieu thereof "section 233, or section 238". 68 Stat. 606. 12 USC 1715o.

(c) Section 519(e) of such Act is amended by inserting after "section 213(k)" the following: ", or the provisions of sections 223(e), 233(a)(2), 235, 236 and 237". 79 Stat. 472. 12 USC 1735c.

CONDOMINIUM AND COOPERATIVE OWNERSHIP FOR LOW AND MODERATE INCOME FAMILIES

SEC. 105. (a) Section 221 of the National Housing Act is amended by adding at the end thereof two new subsections as follows: 68 Stat. 599. 12 USC 1715l.

"(i)(1) The Secretary is authorized, with respect to any project involving a mortgage insured under subsection (d)(3) which bears interest at the below-market interest rate prescribed in the proviso of subsection (d)(5), to permit a conversion of the ownership of such project to a plan of family unit ownership. Under such plan, each family unit shall be eligible for individual ownership and provision shall be included for the sale of the family units, together with an undivided interest in the common areas and facilities which serve the project, to low or moderate income purchasers. The Secretary shall obtain such agreements as he determines to be necessary to assure continued maintenance of the common areas and facilities. Upon such sale, the family unit and the undivided interest in the common areas shall be released from the lien of the project mortgage.

"(2)(A) The Secretary is authorized, upon application by the mortgagee, to insure under this subsection mortgages financing the purchase of individual family units under the plan prescribed in paragraph (1). Commitments may be issued by the Secretary for the insurance of such mortgages prior to the date of their execution or disbursement thereon, upon such terms and conditions as the Secretary may prescribe. To be eligible for such insurance, the mortgage shall—

"(i) be executed by a mortgagor having an income within the limits prescribed by the Secretary for occupants of projects financed with a mortgage insured under subsection (d)(3) which bears interest at the below-market rate prescribed in the proviso of subsection (d)(5);

"(ii) involve a principal obligation (including such initial service charges, and such appraisal, inspection, and other fees, as the Secretary shall approve) in an amount not to exceed the Secretary's estimate of the appraised value of the family unit, including the mortgagor's interest in the common areas and facilities, as of the date the mortgage is accepted for insurance;

"(iii) bear interest at a rate determined by the Secretary (which may vary in accordance with the regulations of the Secretary promulgated pursuant to the last sentence of paragraph (4) of this subsection) but not less than the below-market rate in effect under the proviso of subsection (d)(5) at the date of the commitment for insurance; and

"(iv) provide for complete amortization by periodic payments within such term as the Secretary may prescribe, but not to exceed the lesser of forty years from the beginning of amortization of the mortgage or three-quarters of the Secretary's estimate of the remaining economic life of the building improvements.

"(B) The price for which the individual family unit is sold to the low or moderate income purchaser shall not exceed the appraised value of the property, as determined under subparagraph (A)(ii), except that the purchaser shall be required to pay on account of the property at the time of purchase at least such amount, in cash or its equivalent (which shall be not less than 3 per centum of such price, but which may be applied in whole or in part toward closing costs), as the Secretary may determine to be reasonable and appropriate.

"(3) Upon the sale of all of the family units covered by the project mortgage, and the release of all of the family units (including the undivided interest allocable to each unit in the common areas and facilities) from the lien of the project mortgage, the insurance of the project mortgage shall be terminated and no adjusted premium charge shall be collected by the Secretary upon such termination.

Interest rate, increase.

"(4) Any mortgage covering an individual family unit insured under this subsection shall contain a provision that, if the original mortgagor does not continue to occupy the property, the interest rate shall increase to the highest rate permissible under this section and the regulations of the Secretary effective at the time the commitment was issued for the insurance of the project mortgage; except that the requirement for an increase in interest rate shall not be applicable if the property is sold and the purchaser is (i) a nonprofit purchaser approved by the Secretary, or (ii) a low or moderate income purchaser who has an income within the limits prescribed by the Secretary for occupants of projects financed with a mortgage insured under subsection (d)(3) which bears interest at the below-market rate prescribed in the proviso of subsection (d)(5). The mortgage shall also contain a provision that, if the Secretary determines that the annual income of the original mortgagor (or a purchaser described in clause (ii) of the preceding sentence) has increased to an amount enabling payment of a greater rate of interest, the interest rate of the individual mortgage may be increased up to the highest rate permissible under the regulations of the Secretary for mortgages insured under this section, effective at the time the commitment was issued for the insurance of the mortgage.

"(5) For the purpose of this subsection—

"Mortgage."

"(i) the term 'mortgage', when used in relation to a mortgage insured under paragraph (2) of this subsection, includes a first mortgage given to secure the unpaid purchase price of a fee interest in, or a long-term lease-hold interest in, a one-family unit in a multifamily project and an undivided interest in the common areas and facilities which serve the project; and

"Common areas and facilities."

"(ii) the term 'common areas and facilities' includes the land and such commercial, community, and other facilities as are approved by the Secretary.

Cooperative ownership, conversion.

"(j)(1) The Secretary is authorized, with respect to any rental project involving a mortgage insured under subsection (d)(3) which bears interest at the below-market interest rate prescribed in the proviso of subsection (d)(5), to permit a conversion of the ownership of such project to a cooperative approved by the Secretary. Membership in such cooperative shall be made available only to those families having an income within the limits prescribed by the Secretary for occupants of projects financed with a mortgage insured under subsection (d)(3) which bears interest at such below-market rate: *Provided*, That families residing in the rental project at the time of its conversion to a cooperative who do not meet such income limits may be permitted to become members in the cooperative under such special terms and conditions as the Secretary may prescribe.

"(2) The Secretary is authorized, upon application by the mortgagee, to insure under this subsection cooperative mortgages financing the purchase of projects meeting the requirements of paragraph (1). Commitments may be issued by the Secretary for the insurance of such mortgages prior to the date of their execution or disbursement thereon, upon such terms and conditions as the Secretary may prescribe. To be eligible for such insurance, the mortgage shall— Cooperative mortgages, insurance.

"(i) involve a principal obligation (including such initial service charges and appraisal, inspection, and other fees as the Secretary shall approve) in an amount not exceeding the appraised value of the property for continued use as a cooperative, which value shall be based upon a mortgage amount on which the debt service can be met from the income of the property when operated on a nonprofit basis, after the payment of all operating expenses, taxes, and required reserves;

"(ii) bear interest at the below-market rate prescribed in the proviso of subsection (d)(5); and

"(iii) provide for complete amortization within such term as the Secretary may prescribe."

(b) Section 221 (g)(1) of such Act is amended by striking out "or paragraph (5) of subsection (h) of this section" and inserting in lieu thereof "paragraph (5) of subsection (h) of this section, or paragraph (2) of subsection (i) of this section". 68 Stat. 599. 12 USC 1715l.

(c) Section 221(g)(2) of such Act is amended by striking out "or paragraph (1) of subsection (h)" and inserting in lieu thereof "paragraph (1) of subsection (h) of this section, or paragraph (2) of subsection (j).".

(d) Section 221(f) of such Act is amended by inserting after "subsection (h)" in the third sentence of the second paragraph the following: ", (i), or (j)".

ASSISTANCE TO NONPROFIT SPONSORS OF LOW AND MODERATE INCOME HOUSING

SEC. 106. (a) The Secretary of Housing and Urban Development is authorized to provide, or contract with public or private organizations to provide, information, advice, and technical assistance with respect to the construction, rehabilitation, and operation by nonprofit organizations of housing for low or moderate income families. Assistance by the Secretary may include—

(1) the assembly, correlation, publication, and dissemination of information with respect to the construction, rehabilitation, and operation of low and moderate income housing, and

(2) the provision of advice and technical assistance with respect to the construction, rehabilitation, and operation of low and moderate income housing.

(b)(1) The Secretary is authorized to make loans to nonprofit organizations for the necessary expenses, prior to construction, in planning, and obtaining financing for, the rehabilitation or construction of housing for low or moderate income families under any federally assisted program. Such loans shall be made without interest and shall not exceed 80 per centum of the reasonable costs expected to be incurred in planning, and in obtaining financing for, such housing prior to the availability of financing, including, but not limited to, preliminary surveys and analyses of market needs, preliminary site engineering and architectual fees, site acquisition, application and mortgage commitment fees, and construction loan fees and discounts. The Secretary shall require repayment of loans made under this subsection, under Loans.

such terms and conditions as he may require, upon completion of the project or sooner, and may cancel any part or all of a loan if he determines that it cannot be recovered from the proceeds of any permanent loan made to finance the rehabilitation or construction of the housing.

(2) The Secretary shall determine prior to the making of any loan that the nonprofit organization meets such requirements with respect to financial responsibility and stability as he may prescribe.

Appropriation.

(3) There are authorized to be appropriated for the purposes of this subsection not to exceed $7,500,000 for the fiscal year ending June 30, 1969, and not to exceed $10,000,000 for the fiscal year ending June 30, 1970. Any amounts so appropriated shall remain available until expended, and any amounts authorized for any fiscal year under this paragraph but not appropriated may be appropriated for any succeeding fiscal year.

Low and Moderate Income Sponsor Fund.

(4) All funds appropriated for the purposes of this subsection shall be deposited in a fund which shall be known as the Low and Moderate Income Sponsor Fund, and which shall be available without fiscal year limitation and be administered by the Secretary as a revolving fund for carrying out the purposes of this subsection. Sums received in repayment of loans made under this subsection shall be deposited in such fund.

NATIONAL HOMEOWNERSHIP FOUNDATION

SEC. 107. (a)(1) There is hereby created a body corporate to be known as the "National Homeownership Foundation" (hereinafter referred to as the "Foundation") to carry out a continuing program of encouraging private and public organizations at the national, community, and neighborhood levels to provide increased homeownership and housing opportunities in urban and rural areas for lower income families through such means as—

(A) encouraging the investment in, and sponsoring of, housing for lower income families;

(B) encouraging the establishment of programs of assistance and counseling to lower income families to enable them better to achieve and afford adequate housing;

(C) providing a broad range of technical assistance through publications and advisory services to public and private organizations which are carrying out, or are desirous of carrying out, programs to expand homeownership and housing opportunities for lower income families; and

(D) providing grants and loans to public and private organizations carrying out homeownership and housing opportunity programs for lower income families to help cover some of the expenses of such programs.

(2) The Foundation shall be deemed to be a corporation without members organized and established under the provisions of the District of Columbia Nonprofit Corporation Act, with all the rights, powers, and responsibilities thereof except as limited by this section and any amendments thereto. This section shall constitute the articles of incorporation and charter of the Foundation, which shall not be an agency or instrumentality of the United States Government. The Congress expressly reserves the exclusive right to alter or amend this charter. The Foundation shall have succession until dissolved by Act of Congress. The Foundation shall maintain its principal office in the District of Columbia.

76 Stat. 265. D. C. Code 29-1001.

Administration as a charitable and educational foundation.

(3) No part of the net earnings of the Foundation shall inure to the benefit of any private person, and no substantial part of its activities shall be devoted to attempting to influence legislation. The Founda-

tion shall not participate or intervene in any political campaign on behalf of any candidate for public office. The Foundation shall be operated and administered at all times as a charitable and educational foundation.

(4) No employee or officer of the Foundation shall receive compensation in excess of that received by or hereafter prescribed by law for heads of executive departments. Contract authority.

(5) The Foundation shall make maximum use of existing public and private agencies and programs, and in carrying out its functions the Foundation is authorized to contract with individuals, private corporations, organizations, and associations, and with agencies of the Federal, State, and local governments. Contract authority.

(6) The Foundation is authorized to receive donations and grants from individuals and from public and private organizations, foundations, and agencies. Acceptance of grants, etc.

(7) The Foundation may use only donated funds, or funds derived from payment of interest on loans made by it, for the principal and interest payments on any borrowings.

(b)(1) The Foundation shall have a Board of Directors consisting of eighteen members, fifteen of whom shall be appointed by the President of the United States, with the advice and consent of the Senate. The other three members shall be, ex officio, the Secretary of Housing and Urban Development, the Secretary of Agriculture, and the Director of the Office of Economic Opportunity. The President shall appoint one of the fifteen appointed members to serve as Chairman of the Board during his term of office as a member. Board of Directors.

(2) Within thirty days after the date of enactment of this Act, the President shall appoint the fifteen appointed members of the Board. Not more than five of such members shall, at the time of their appointment, be serving full time as officers or employees of the Federal Government, or as officers or employees of any State or local government. Each appointed member of the Board shall hold office for a term of three years, except that (A) any member appointed to fill a vacancy prior to the expiration of the term for which his predecessor was appointed shall be appointed for the remainder of such term, and (B) the terms of the members first taking office shall expire, as designated by the President at the time of appointment, five at the end of the first year, five at the end of the second year, and five at the end of the third year after the date of appointment. Members of the Board, however appointed, shall be eligible for reappointment, but at no time shall there be more than five members of the Board who at the time of their appointment or reappointment were full-time officers or employees of the Federal Government or of any State or local government. Terms of office.

(3) Appointed members of the Board who are not employees of the Federal Government, while attending meetings or conferences of the Board or otherwise serving on business of the Board, shall be entitled to receive compensation at rates fixed by the President, but not exceeding $100 per day, including travel time, and while so serving away from their homes or regular places of business they may be allowed travel expenses, including per diem in lieu of subsistence, as authorized by section 5703 of title 5, United States Code, for persons in the Government service employed intermittently. Compensation, travel expenses. 80 Stat. 499.

(4) The Board shall appoint an Executive Director of the Foundation. The Executive Director shall be the chief executive officer of the Foundation and shall serve at the pleasure of the Board, and all other executive officers and employees of the Board shall be responsible to him. The Board shall also cause to be appointed a secretary, a treasurer, and such other officers as may be necessary to conduct Executive Director.

properly the business of the Foundation, and shall provide for filling vacancies in such offices.

(5) The Board shall adopt bylaws for the Foundation which shall be made available for public inspection upon request.

Functions.

(c)(1) The Foundation shall assist public and private organizations, at their request, in initiating, developing, and conducting programs to expand homeownership and housing opportunities for lower income families. To provide such assistance and to carry out the purposes of this section, the Foundation is authorized to—

(A) carry out a continuing program of encouraging private and public organizations at the national, community, and neighborhood levels in the establishment of such programs;

(B) assist in the formation of organizations the purpose of which is the development and carrying out of such programs, including the establishment of local development funds for financing housing for lower income families through the pooling of moneys from private sources;

(C) identify and arrange for the technical and managerial assistance and personnel needed for the successful operation of such programs by public and private organizations;

(D) assist public and private organizations in obtaining the mortgage financing, insurance, and other requirements or aids necessary for conducting programs of housing construction, rehabilitation, or improvement for lower income families;

(E) arrange for, or provide on a limited basis, training for persons in the skills needed in administering programs of homeownership and housing opportunity for lower income families;

(F) encourage research and innovation, and collect and make available such information as may be desirable to further the purposes of this section, including but not limited to such activities as the sponsoring of seminars, conferences, and meetings and the establishment of a continuing information program to acquaint lower income families with the means they can use to improve the quality of their housing and the homeownership and housing opportunities available to them;

(G) assist private and public organizations in establishing, in connection with their homeownership and housing opportunity programs for lower income families, counseling and similar activities designed to advise lower income families of the means available to better themselves economically through job training and manpower development programs; and

(H) perform other similar services in order to further the purposes of this section.

Fees.

(2) The Foundation may, if it deems it appropriate, charge a reasonable fee for any assistance or service provided under this subsection.

Grant and loan authority.

(d)(1) In order to assist public and private organizations which are carrying out homeownership and housing opportunity programs for lower income families to fill unmet needs, initiate exceptional programs, and experiment with new approaches and programs, the Foundation is authorized, subject to such terms and conditions as it may prescribe, to make grants and loans to such organizations to help defray the following expenses:

(A) organizational and administrative expenses incurred in commencing the operation of a program, or in expanding an existing program, to the extent that the activities are related to providing homeownership and housing opportunities for lower income families;

(B) necessary preconstruction costs incurred for architectural assistance, land options, application fees, and similar items; and

(C) the cost of carrying out programs providing counseling or similar services to lower income families for whom housing is being provided, in order to enable those families better to achieve and afford adequate housing, in such matters as home management, budget management, and home maintenance.

(2) In order to be eligible for a grant or loan under this subsection, the organization seeking such assistance shall demonstrate to the satisfaction of the Foundation that the funds requested are not otherwise available from Federal sources: *Provided*, That a grant or loan under this subsection may be provided to help cover that portion of the cost of an eligible activity not covered by Federal funds.

(3) The Foundation shall encourage cooperation between public and private organizations carrying out programs of homeownership and housing opportunity for lower income families and the neighborhoods and communities affected by such programs. To help assure such cooperation and in order to coordinate, to the maximum extent feasible, any construction or rehabilitation activities with the development goals of the neighborhood or community affected, no application for a loan or grant under this subsection shall be considered unless such application has been submitted to the governing body of the community affected, or to such other entity of local government as may be designated by the governing body, for such recommendations as the local governing body or its designee may desire to make. Any recommendations so made shall be given careful consideration by the Foundation before taking final action on any such application. If, upon the expiration of thirty days after any such application has been submitted to such governing body or its designee, such body or designee fails to provide such recommendations, the application may be considered without the benefit of such recommendations.

(e) The Foundation shall coordinate its activities and consult with the Department of Housing and Urban Development and other Federal departments and agencies engaged in providing homeownership and housing opportunities for lower income families.

Report to President and Congress. Contents.

(f)(1) Not later than one hundred and twenty days after the close of each fiscal year, the Foundation shall prepare and submit to the President and to the Congress a full report of its activities during such year. Such report shall include an account of the Foundation's experiences with the efforts of private and public organizations to expand homeownership and housing opportunities for lower income families, together with such recommendations as it deems appropriate.

(2) Whenever in its judgment the general unavailability of mortgage funds is sufficiently serious to deter the Foundation from carrying out its objective of expanding homeownership and housing opportunities for lower income families, the Foundation shall, in its annual report or in a separate report to the President and the Congress, state its findings and make such recommendations for alternate means of financing housing for such families as it deems appropriate.

GAO audit. Access to records, etc.

(g)(1) The financial transactions of the Foundation shall be audited by the General Accounting Office in accordance with the principles and procedures applicable to commercial corporate transactions and under such rules and regulations as may be prescribed by the Comptroller General of the United States. The representatives of the General Accounting Office shall have access to all books, accounts, financial records, reports, files, and all other papers, things, or property belonging to or in use by the Foundation and necessary to facilitate the audit, and they shall be afforded full facilities for verifying transactions with the balances or securities held by depositories, fiscal agents, and custodians. The audit shall cover the fiscal year corresponding to that of the United States Government.

Report to Congress and President.

(2) A report of each such audit shall be made by the Comptroller General to the Congress not later than January 15 following the close of the fiscal year for which the audit was made. The report shall set forth the scope of the audit and shall include a statement of assets and liabilities, capital, and surplus or deficit; a statement of sources and application of funds; and such comments and information as may be deemed necessary to keep the Congress informed of the operations and financial condition of the Foundation, together with such recommendations with respect thereto as the Comptroller General may deem advisable. The report shall also show specifically any program, expenditure, or other financial transaction or undertaking, observed in the course of the audit, which, in the opinion of the Comptroller General, has been carried on or made without authority of law. A copy of each report shall be furnished to the President and to the Foundation at the time submitted to the Congress.

(h) Funds of the Foundation shall be deposited, to the extent practicable, in accounts with financial institutions which are actively engaged in making loans or are otherwise carrying on activities in furtherance of homeownership and housing opportunities for lower income families.

Appropriation.

(i) There is authorized to be appropriated to the Foundation not to exceed $10,000,000 to carry out the purposes of this section. Appropriations made hereunder shall remain available until expended.

NEW TECHNOLOGIES IN THE DEVELOPMENT OF HOUSING FOR LOWER INCOME FAMILIES

SEC. 108. (a) In order to encourage the use of new housing technologies in providing decent, safe, and sanitary housing for lower income families; to encourage large-scale experimentation in the use of such technologies; to provide a basis for comparison of such technologies with existing housing technologies in providing such housing; and to evaluate the effect of local housing codes and zoning regulations on the large-scale use of new housing technologies in the provision of such housing, the Secretary of Housing and Urban Development (hereinafter referred to as the "Secretary") shall institute a program under which qualified organizations, public and private, will submit plans for the development of housing for lower income families, using new and advanced technologies, on Federal land which has been made available by the Secretary for the purposes of this section, or on other land where (1) local building regulations permit the construction of experimental housing, or (2) State or local law permits variances from building regulations in the construction of experimental housing for the purpose of testing and developing new building technologies.

Approval of plans. Considerations.

(b) The Secretary shall approve not more than five plans utilizing new housing technologies which are submitted to him pursuant to the program referred to in subsection (a) and which he determines are most promising in furtherance of the purposes of this section. In making such determination the Secretary shall consider—

(1) the potential of the technology employed for producing housing for lower income families on a large scale at a moderate cost;

(2) the extent to which the plan envisages environmental quality;

(3) the possibility of mass production of the technology; and

(4) the financial soundness of the organization submitting the plan, and the ability of such organization, alone or in combination with other organizations, to produce at least one thousand dwelling units a year utilizing the technology proposed.

(c) In approving projects for mortgage insurance under section 233 (a)(2) of the National Housing Act (as added by subsection (f) of this section), the Secretary shall seek to achieve the construction of at least one thousand dwelling units a year over a five-year period for each of the various types of technologies proposed in approved plans under subsection (b). The Secretary shall evaluate each project with respect to which assistance is extended pursuant to this section with a view to determining (1) the detailed cost breakdown per dwelling unit, (2) the environmental quality achieved in each such unit, and (3) the effect which local housing codes and zoning regulations have, or would have if applicable, on the cost per dwelling unit.

(d) Notwithstanding the provisions of the Federal Property and Administrative Services Act of 1949, any land which is excess property within the meaning of such Act and which is determined by the Secretary to be suitable in furtherance of the purposes of this section may be transferred to the Secretary upon his request.

Surplus property.
63 Stat. 377.
40 USC 471 note.

(e) The Secretary shall, at the earliest practicable date, report his findings with respect to projects assisted pursuant to this section (including evaluations of each such project in accordance with subsection (c)), together with such recommendations for additional legislation as he determines to be necessary or desirable to expand the available supply of decent, safe, and sanitary housing for lower income families through the use of technologies the efficacy of which has been demonstrated under this section.

Report of findings.
Legislative recommendations.

(f)(1) Section 233(a) of the National Housing Act is amended—

75 Stat. 158.
12 USC 1715x.

(A) by inserting "(1)" after "(a)",

(B) by redesignating clauses (1), (2), and (3) as clauses (A), (B), and (C), respectively, and

(C) by adding at the end thereof the following new paragraph:

"(2) The Secretary is further authorized to insure and to make commitments to insure, under this section, mortgages (including advances on mortgages during construction) secured by properties in projects to be carried out in accordance with plans approved by the Secretary under section 108 of the Housing and Urban Development Act of 1968.".

Ante, p. 495.

(2) Section 233(c) of such Act is amended by inserting at the end thereof the following new sentence: "Any authority which the Secretary may exercise in connection with a mortgage, or property covered by a mortgage, insured under any other section of this title (including payments to reduce rentals for, or to facilitate homeownership by, lower income families) may be exercised in connection with a mortgage, or property covered by a mortgage, meeting the requirements of such other section (except as specified in subsection (b)), which is insured under this section to the same extent and in the same manner as if the mortgage insured under this section was insured under such other section."

INSURANCE PROTECTION FOR HOMEOWNERS

SEC. 109. (a) The Secretary of Housing and Urban Development is authorized, in cooperation with the private insurance industry, to develop a plan for the establishment at the earliest practicable date of an insurance program to help homeowners in meeting mortgage payments in times of personal economic adversity. Such insurance program shall be designed to protect mortgagors against foreclosure due to curtailment of income resulting from factors beyond their effective control, including such factors as death, disability, illness, and unemployment. Such insurance program shall also be designed to be actuarially sound through the use of premiums, fees, extended or increased

payment schedules, or other similar methods, in conjunction with such Federal participation as may be necessary.

Report to Congress. Legislative recommendations.

(b) Within six months following the date of enactment of this Act, the Secretary shall report to the Congress on his actions under this section, and shall recommend to the Congress such legislation as he deems appropriate to authorize him to enter into agreements with any insurance company, or any corporation or joint enterprise formed to provide home mortgage insurance protection, for the purpose of reinsuring insurance reserve funds, subsidizing premium payments on behalf of lower income mortgagors, or otherwise making possible the insurance protection of homeowners in accordance with subsection (a). In preparing such recommendations the Secretary shall consult with other agencies or instrumentalities of the United States which insure or guarantee home mortgages in order that such legislation as may be recommended affords equal benefits to mortgagors participating in their programs.

NATIONAL ADVISORY COMMISSION ON LOW INCOME HOUSING

SEC. 110. (a) (1) There is hereby established the National Advisory Commission on Low Income Housing (hereinafter referred to as the "Commission"). The Commission shall be composed of twenty-one members as follows:

Membership.

(A) Four members appointed by the President of the Senate, two from the majority party and two from the minority party;

(B) Four members appointed by the Speaker of the House of Representatives, two from the majority party and two from the minority party; and

(C) Thirteen members appointed by the President, not more than three of whom shall be from the Federal Government, and of whom four shall be representative of persons eligible for low income housing. Appointment shall be made by the President, whenever practicable, after consultation with the ranking majority and minority members of the Housing Subcommittees of the Committees on Banking and Currency of the Senate and House of Representatives.

(2) Any vacancy in the Commission shall not affect its powers, but shall be filled in the same manner in which the original appointment was made.

(3) Eleven members of the Commission shall constitute a quorum, but a lesser number may conduct hearings.

(4) The members of the Commission shall elect a Chairman and a Vice Chairman from the membership of the Commission.

Commission functions.

(b) (1) The Commission shall undertake a comprehensive study and investigation, to further the policy set forth in section 2 of this Act, of practicable and effective ways of bringing decent, safe, and sanitary housing within the reach of low income families. Such study shall evaluate existing housing programs designed to assist such families, and explore new ways by which public and private resources may be more effectively utilized in meeting the housing needs of such families. In the carrying out of such study, the Commission may, where necessary or desirable, utilize the services of private research organizations, and shall, insofar as is practicable, seek to coordinate its investigation with studies undertaken, or being undertaken by the Banking and Currency Committees of the Senate and House of Representatives.

Report to President and Congress.

(2) The Commission shall be organized and begin its functions at the earliest possible date, and shall submit to the President and to the Congress an interim report with respect to its findings and recommendations not later than July 1, 1969. A final report of its findings

and recommendations shall be submitted to the President and the Congress not later than July 1, 1970.

(c) (1) The Commission or, on the authorization of the Commission, any subcommittee or members thereof, may, for the purpose of carrying out the provisions of this section, hold such hearings, take such testimony, and sit and act at such times and places as the Commission deems advisable. Any member authorized by the Commission may administer oaths or affirmations to witnesses appearing before the Commission or any subcommittee or members thereof. Hearings, etc.

(2) Each department, agency, and instrumentality of the executive branch of the Government is authorized and directed to furnish to the Commission, upon request made by the Chairman or Vice Chairman, such information as the Commission deems necessary to carry out its functions under this section.

(3) Subject to such rules and regulations as may be adopted by the Commission, the Chairman, without regard to the provisions of title 5, United States Code, governing appointments in the competitive service, and without regard to the provisions of chapter 51 and subchapter III of chapter 53 of such title relating to classification and General Schedule pay rates, shall have the power— 80 Stat. 408, 443, 467. 5 USC 2101, 5101, 5331. 33 F.R. 8641.

(1) to appoint and fix the compensation of such staff personnel as he deems necessary, and

(2) to procure temporary and intermittent services to the same extent as is authorized by section 3109 of title 5, United States Code, but at rates not to exceed $50 a day for individuals. Experts and consultants. 80 Stat. 416.

(d) (1) Any member of the Commission who is appointed from the executive or legislative branch of the Government shall serve without compensation in addition to that received in his regular employment, but shall be entitled to reimbursement for travel, subsistence, and other necessary expenses incurred by him in the performance of duties vested in the Commission.

(2) Members of the Commission, other than those referred to in paragraph (1), shall receive compensation at the rate of $75 per day for each day they are engaged in the performance of their duties as members of the Commission and shall be entitled to reimbursement for travel, subsistence, and other necessary expenses incurred by them in the performance of their duties as members of the Commission. Compensation, travel expenses.

(e) There are authorized to be appropriated, out of any money in the Treasury not otherwise appropriated, such sums as may be necessary to carry out this section. Appropriation.

(f) The Commission shall cease to exist thirty days after the submission of its final report. Termination.

TITLE II—RENTAL HOUSING FOR LOWER INCOME FAMILIES

Part A—Private Housing

RENTAL AND COOPERATIVE HOUSING FOR LOWER INCOME FAMILIES

SEC. 201. (a) Title II of the National Housing Act is amended by adding after section 235 (as added by section 101 of this Act) the following new section: 12 USC 1707-1715y.

"RENTAL AND COOPERATIVE HOUSING FOR LOWER INCOME FAMILIES

"SEC. 236. (a) For the purpose of reducing rentals for lower income families, the Secretary is authorized to make, and to contract to make, periodic interest reduction payments on behalf of the owner of a

rental housing project designed for occupancy by lower income families, which shall be accomplished through payments to morgagees holding mortgages meeting the special requirements specified in this section.

"(b) Interest reduction payments with respect to a project shall only be made during such time as the project is operated as a rental housing project and is subject to a mortgage which meets the requirements of, and is insured under, subsection (j) of this section: *Provided*, That interest reduction payments may be made with respect to a rental or cooperative housing project owned by a private nonprofit corporation or other private nonprofit entity, a limited dividend corporation or other limited dividend entity, or a cooperative housing corporation, which is financed under a State or local program providing assistance through loans, loan insurance, or tax abatements, and which prior to completion of construction or rehabilitation is approved for receiving the benefits of this section.

"(c) The interest reduction payments to a mortgagee by the Secretary on behalf of a project owner shall be in an amount not exceeding the difference between the monthly payment for principal, interest, and mortgage insurance premium which the project owner as a mortgagor is obligated to pay under the mortgage and the monthly payment for principal and interest such project owner would be obligated to pay if the mortgage were to bear interest at the rate of 1 per centum per annum.

Mortgage handling expenses.

"(d) The Secretary may include in the payment to the mortgagee such amount, in addition to the amount computed under subsection (c), as he deems appropriate to reimburse the mortgagee for its expenses in handling the mortgage.

"(e) As a condition for receiving the benefits of interest reduction payments, the project owner shall operate the project in accordance with such requirements with respect to tenant eligibility and rents as the Secretary may prescribe. Procedures shall be adopted by the Secretary for review of tenant incomes at intervals of two years (or at shorter intervals where the Secretary deems it desirable).

"(f) For each dwelling unit there shall be established with the approval of the Secretary (1) a basic rental charge determined on the basis of operating the project with payments of principal and interest due under a mortgage bearing interest at the rate of 1 per centum per annum; and (2) a fair market rental charge determined on the basis of operating the project with payments of principal, interest, and mortgage insurance premium which the mortgagor is obligated to pay under the mortgage covering the project. The rental for each dwelling unit shall be at the basic rental charge or such greater amount, not exceeding the fair market rental charge, as represents 25 per centum of the tenant's income.

Excess rental charges. Collection and deposit.

"(g) The project owner shall, as required by the Secretary, accumulate, safeguard, and periodically pay to the Secretary all rental charges collected in excess of the basic rental charges. Such excess charges shall be deposited by the Secretary in a fund which may be used by him as a revolving fund for the purpose of making interest reduction payments with respect to any rental housing project receiving assistance under this section, subject to limits approved in appropriation Acts pursuant to subsection (i). Moneys in such fund not needed for current operations may be invested in bonds or other obligations of the United States or in bonds or other obligations guaranteed as to principal and interest by the United States.

Investment of monies.

"(h) In addition to establishing the requirements specified in subsection (e), the Secretary is authorized to make such rules and regulations, to enter into such agreements, and to adopt such procedures as

he may deem necessary or desirable to carry out the provisions of this section.

"(i)(1) There are authorized to be appropriated such sums as may be necessary to carry out the provisions of this section, including such sums as may be necessary to make interest reduction payments under contracts entered into under this section. The aggregate amount of contracts to make such payments shall not exceed amounts approved in appropriation Acts, and payments pursuant to such contracts shall not exceed $75,000,000 per annum prior to July 1, 1969, which maximum dollar amount shall be increased by $100,000,000 on July 1, 1969, and by $125,000,000 on July 1, 1970. Appropriation.

"(2) Not more than 20 per centum of the total amount of interest reduction payments authorized to be contracted to be made pursuant to appropriation Acts shall be contracted to be made with respect to families, occupying rental housing projects assisted under this section, whose incomes at the time of the initial renting of the projects exceed 135 per centum of the maximum income limits which can be established in the area, pursuant to the limitations prescribed in sections 2(2) and 15(7)(b)(ii) of the United States Housing Act of 1937, for initial occupancy in public housing dwellings, but the income of such families at the time of the initial renting of the projects shall in no case exceed 90 per centum of the limits prescribed by the Secretary for occupants of projects financed with mortgages insured under section 221(d)(3) which bear interest at the below-market interest rate prescribed in the proviso of section 221(d)(5). The limitations prescribed in this paragraph shall be administered by the Secretary so as to accord a preference to those families whose incomes are within the lowest practicable limits for obtaining rental accommodations in projects assisted under this section. The Secretary shall report annually to the respective Committees on Banking and Currency of the Senate and House of Representatives with respect to the income levels of families living in projects assisted under this section.

79 Stat. 457.
42 USC 1402.
63 Stat. 422.
42 USC 1415.
75 Stat. 150.
12 USC 1715l.
75 Stat. 152;
79 Stat. 454.
Report to congressional committees.

"(j)(1) The Secretary is authorized, upon application by the mortgagee, to insure a mortgage (including advances on such mortgage during construction) which meets the requirements of this subsection. Commitments for the insurance of such mortgages may be issued by the Secretary prior to the date of their execution or disbursment thereon, upon such terms and conditions as he may prescribe.

"(2) As used in this subsection— Definitions.

"(A) the terms 'family' and 'families' shall have the same meaning as in section 221; 68 Stat. 599.

"(B) the term 'elderly or handicapped families' shall have the same meaning as in section 202 of the Housing Act of 1959; and 73 Stat. 667.

"(C) the terms 'mortgage', 'mortgagee', and 'mortgagor' shall have the same meaning as in section 201. 12 USC 1701q.
48 Stat. 1247.
12 USC 1707.

"(3) To be eligible for insurance under this subsection, a mortgage shall meet the requirements specified in subsections (d)(1) and (d)(3) of section 221, except as such requirements are modified by this subsection. In the case of a project financed with a mortgage insured under this subsection which involves a mortgagor other than a cooperative or a private nonprofit corporation or association and which is sold to a cooperative or a nonprofit corporation or association, the Secretary is further authorized to insure under this subsection a mortgage given by such purchaser in an amount not exceeding the appraised value of the property at the time of purchase, which value shall be based upon a mortgage amount on which the debt service can be met from the income of the property when operated on a nonprofit basis, after payment of all operating expenses, taxes, and required reserves.

"(4) A mortgage to be insured under this subsection shall—

"(A) be executed by a private mortgagor eligible under subsection (d)(3) or (e) of section 221;

75 Stat. 150; 78 Stat. 778. 12 USC 1715l.

"(B) bear interest (exclusive of premium charges for insurance and service charges, if any) at not to exceed such per centum per annum (not in excess of 6 per centum), on the amount of the principal obligation outstanding at any time, as the Secretary finds necessary to meet the mortgage market; and

"(C) provide for complete amortization by periodic payments within such term as the Secretary may prescribe.

"(5) The property or project shall—

"(A) comply with such standards and conditions as the Secretary may prescribe to establish the acceptability of the property for mortgage insurance and may include such nondwelling facilities as the Secretary deems adequate and appropriate to serve the occupants and the surrounding neighborhood: *Provided*, That the project shall be predominantly residential and any nondwelling facility included in the mortgage shall be found by the Secretary to contribute to the economic feasibility of the project, and the Secretary shall give due consideration to the possible effect of the project on other business enterprises in the community: *Provided further*, That, in the case of a project designed primarily for occupancy by elderly or handicapped families, the project may include related facilities for use by elderly or handicapped families, including cafeterias or dining halls, community rooms, workshops, infirmaries, or other inpatient or outpatient health facilities, and other essential service facilities;

"(B) include five or more dwelling units; and

"(C) be designed primarily for use as a rental project to be occupied by lower income families or by elderly or handicapped families: *Provided*, That lower income persons who are less than sixty-two years of age shall be eligible for occupancy in such a project, but not more than 10 per centum of the dwelling units in any such project shall be available for occupancy by such persons.

"(6) With the approval of the Secretary, the mortgagor may sell the individual dwelling units to lower income or elderly or handicapped purchasers. The Secretary may consent to the release of the mortgagor from his liability under the mortgage and the credit instrument secured thereby, or consent to the release of parts of the mortgaged property from the lien of the mortgage, upon such terms and conditions as he may prescribe, and the mortgage may provide for such release.

"Tenant."

"(k) As used in this section the term 'tenant' includes a member of a cooperative; the term 'rental housing project' includes a cooperative housing project; and the terms 'rental' and 'rental charge' mean, with respect to members of a cooperative, the charges under the occupancy agreements between such members and the cooperative.

"(l) The Secretary shall from time to time allocate and transfer to the Secretary of Agriculture, for use (in accordance with the terms and conditions of this section) in rural areas and small towns, a reasonable portion of the total authority to contract to make periodic interest reduction payments as approved in appropriation Acts under subsection (i).

"(m) In determining the income of any person for the purposes of this section, there shall be deducted an amount equal to $300 for each minor person who is a member of the immediate family of such person and living with such family, and the earnings of any such minor person shall not be included in the income of such person or his family."

12 USC 1715o.

(b)(1) Section 212(a) of the National Housing Act is amended by

striking out "or 232" in the first sentence of the second paragraph and inserting in lieu thereof ", 232, or 236".

(2) Section 227(a) of such Act is amended by striking out "or (viii) under section 234(d)" and inserting in lieu thereof "(viii) under section 234(d), or (ix) under section 236". 12 USC 1715r.

(3) Section 227(c) of such Act is amended by striking out "or section 233(b)(2)" each place it appears and inserting in lieu thereof "section 233, or section 236".

(c) The Secretary of Housing and Urban Development is authorized, upon such terms and conditions as he may prescribe, to transfer to section 236(j) of the National Housing Act the insurance of a mortgage which has not be finally endorsed for insurance under section 221(d)(3) of such Act and which has been approved for the below-market interest rate prescribed in the proviso of section 221(d)(5) of such Act. Ante, p. 500. 75 Stat. 150. 12 USC 1715l. 75 Stat. 152; 79 Stat. 454.

(d) The Secretary of Housing and Urban Development is authorized, upon such terms and conditions as he may prescribe, to insure under section 236(j) of the National Housing Act a mortgage meeting the requirements of such section which is given to refinance a mortgage loan made under section 202 of the Housing Act of 1959: *Provided*, That the application for such insurance is filed with the Secretary on or before the date of project completion, or within such reasonable time thereafter as the Secretary may permit. 73 Stat. 667. 12 USC 1701q.

(e)(1) Section 101(d) of the Housing and Urban Development Act of 1965 is amended by adding at the end thereof the following: "In determining the income of any tenant for the purposes of this section, there shall be deducted an amount equal to $300 for each minor person who is a member of the immediate family of such tenant and living with such tenant, and the earnings of any such minor person shall not be included in the income of such tenant." 79 Stat. 452. 12 USC 1701s.

(2) Section 101(g) of such Act is amended by striking out "or section 231(c)(3)" and inserting in lieu thereof ", section 231(c)(3), or section 236".

(3) Section 101(j)(1) of such Act is amended—

(A) by striking out "and" at the end of subparagraph (B);

(B) by striking out the period at the end of subparagraph (C) and inserting in lieu thereof "; and"; and

(C) by inserting after subparagraph (C) a new subparagraph as follows:

"(D) a private nonprofit corporation or other private nonprofit legal entity, a limited dividend corporation or other limited divided legal entity, or a cooperative housing corporation, which is assisted under section 236 of the National Housing Act and which has been approved for receiving the benefits of this section: *Provided*, That payments shall not be made with respect to more than 20 per centum of the dwelling units in any property so financed."

(f) Section 207 of the Appalachian Regional Development Act of 1965 is amended— 81 Stat. 261. 40 USC app. 207.

(1) by inserting in the heading "AND SECTION 236" immediately after "SECTION 221";

(2) by inserting "or section 236" after "section 221" each place it appears;

(3) by inserting "or 'section 236'" after "'section 221'" in subsection (a); and

(4) by inserting ", Government National Mortgage Association," immediately after "Federal Housing Administration" in subsection (c).

80 Stat. 1285.
12 USC 1720.

(g) The first sentence of section 305(i) of the National Housing Act is amended—

(1) by striking out "or (3)" and inserting in lieu thereof "(3)"; and

(2) by inserting after "221(e)" the following: ", or (4) a mortgage insured under section 236".

Ante, p. 498.

RENT SUPPLEMENT PROGRAM

79 Stat. 451.
12 USC 1701s.

SEC. 202. (a) Section 101(a) of the Housing and Urban Development Act of 1965 is amended by striking out everything after the word "exceed" the second time the word appears in the third sentence and inserting in lieu thereof the following: "$150,000,000 per annum prior to July 1, 1969, which maximum dollar amount shall be increased by $40,000,000, on July 1, 1969, and by $100,000,000 on July 1, 1970."

(b) Section 101(b) of such Act is amended by inserting after the first sentence the following: "Such term also includes a private nonprofit corporation or other private nonprofit legal entity, a limited dividend corporation or other limited dividend legal entity, or a cooperative housing corporation, which is the owner of a rental or cooperative housing project financed under a State or local program providing assistance through loans, loan insurance, or tax abatement and which prior to completion of construction or rehabilitation is approved for receiving the benefits of this section."

PART B—LOW-RENT PUBLIC HOUSING

INCREASED LOW-RENT PUBLIC HOUSING AUTHORIZATION

52 Stat. 820; 78 Stat. 795; 79 Stat. 487.
42 USC 1410.

SEC. 203. (a) Section 10(e) of the United States Housing Act of 1937 is amended by striking out "$366,250,000 per annum, which limit shall be increased by $47,000,000 on the date of enactment of the Housing and Urban Development Act of 1965, and by further amounts of $47,000,000 on July 1 in each of the years 1966, 1967, and 1968, respectively," in the first sentence and inserting in lieu thereof the following: "$554,250,000 per annum, which limit shall be increased by $100,000,000 on the date of enactment of the Housing and Urban Development Act of 1968 and by further amounts of $150,000,000 on July 1 in each of the years 1969 and 1970,".

63 Stat. 427.
42 USC 1420.

(b) Section 20 of such Act is amended—

(1) by striking out "not to exceed $1,500,000,000" in the first sentence and inserting in lieu thereof "which shall not, unless authorized by the President, exceed $1,500,000,000"; and

(2) by inserting after the first sentence the following: "For the purpose of determining obligations incurred to make loans pursuant to this Act against any limitation otherwise applicable with respect to such loans, the Secretary shall estimate the maximum amount to be loaned at any one time pursuant to loan agreements then outstanding with public housing agencies."

UPGRADING MANAGEMENT AND SERVICES IN PUBLIC HOUSING PROJECTS

Contracts and grants.
50 Stat. 895.
42 USC 1415.

SEC. 204. Section 15 of the United States Housing Act of 1937 is amended by adding at the end thereof the following new paragraph:

"(10) The Secretary is authorized to enter into contracts to make grants to public housing agencies to assist, where necessary, in financing tenant services for families living in low-rent housing projects. In making such contracts and grants, the Secretary shall give preference to programs providing for the maximum feasible participation of the tenants in the development and operation of such tenant services.

For purposes of this paragraph the term 'tenant services' includes the following services and activities for families living in low-rent housing projects: counseling on household management, housekeeping, budgeting, money management, child care, and similar matters; advice as to resources for job training and placement, education, welfare, health, and other community services; services which are directly related to meeting tenant needs and providing a wholesome living environment; and referral to appropriate agencies when necessary for the provision of such services. To the maximum extent available and appropriate, existing public and private agencies in the community shall be used for the provision of such services. There are authorized to be appropriated for the purposes of this paragraph not to exceed $15,000,000 for the fiscal year ending June 30, 1969, and not to exceed $30,000,000 for the fiscal year ending June 30, 1970. Any amounts so appropriated shall remain available until expended, and any amounts authorized for any fiscal year under this paragraph but not appropriated may be appropriated for any succeeding fiscal year commencing prior to July 1, 1970."

"Tenant services."

Appropriation.

PURCHASE OF UNITS BY TENANTS

SEC. 205. Section 15(9) of the United States Housing Act of 1937 is amended by striking out "which is suitable by reason of its detached or semidetached construction" and inserting in lieu thereof ", if the property to be acquired is sufficiently separable from other property retained by the public housing agency to make it suitable".

79 Stat. 488.
42 USC 1415.

PUBLIC HOUSING IN INDIAN AREAS

SEC. 206. (a) Section 1 of the United States Housing Act of 1937 is amended by striking out "urban and rural nonfarm" in the first sentence and inserting in lieu thereof "urban, rural nonfarm, and Indian".

50 Stat. 888; 63 Stat. 429.
42 USC 1401.

(b) Section 10(a) of such Act is amended by inserting "or Indian" after "nonfarm" in the fourth proviso.

63 Stat. 430.
42 USC 1410.

LIMITATION ON HIGH-RISE STRUCTURES IN LOW-RENT PUBLIC HOUSING PROJECTS

SEC. 207. Section 15 of the United States Housing Act of 1937 is amended by adding at the end thereof (after the new paragraph added by section 204 of this Act) the following new paragraph:

"(11) Except in the case of housing predominantly for the elderly, upon enactment of this paragraph, the Secretary shall not approve high-rise elevator projects for families with children unless he makes a determination that there is no practical alternative."

50 Stat. 895.
42 USC 1415.

SALE TO TENANTS OF LOW-RENT HOUSING IN PRIVATE ACCOMMODATIONS

SEC. 208. (a) Section 23(f) of the United States Housing Act of 1937 is amended by inserting "(1)" after "shall not apply to", and by inserting before the period at the end thereof the following: ", or (2) housing purchased (or in the process of purchase) by the public housing agency for resale to tenants as provided in subsection (g)".

79 Stat. 456.
42 USC 1421b.

(b) Section 23 of such Act is further amended by adding at the end thereof the following new subsection:

"(g) To the extent authorized in contracts entered into by the Authority with a public housing agency, such agency may purchase any structure containing one or more dwelling units leased to provide low-rent housing in private accommodations under this section for the purpose of reselling the structure to the tenant or tenants of the struc-

ture or to a group of such tenants occupying units aggregating in value at least 80 per centum of the structure's total value. Any such resale shall be made subject to such terms and conditions (including provision for deferment of the required downpayment and for elimination of or adjustments in the required interest payments during a temporary period) as may be necessary to enable the tenants involved to make the purchase without undue financial hardship."

ADDITIONAL SUBSIDY FOR LARGE FAMILIES AND FAMILIES OF UNUSUALLY LOW INCOME

Definitions.
79 Stat. 457.
42 USC 1402.

SEC. 209. (a) Section 2(2) of the United States Housing Act of 1937 is amended by inserting at the end thereof the following new sentences: "The term 'large families' means families which include four or more minors. The term 'families of unusually low income' means families with incomes below the income level established by the public housing agency, as approved by the Authority, who could not be housed without the additional subsidy authorized under section 10 (a)."

78 Stat. 794.
42 USC 1410.

(b) The first proviso in section 10(a) of such Act is amended—

(1) by inserting after "an elderly family," the following: "or a large family, or a family of unusually low income,";

(2) by striking out "to lease the dwelling unit to an elderly or displaced family at a rental it could afford and"; and

(3) by striking out ", and, in the case of displaced families, if and to the extent that the average or estimated average rental for units so occupied by such families was less than the rental which the Authority determines, on the basis of the average or estimated average project rentals, would have been established in leasing the units to families which were neither elderly nor similarly displaced".

PROHIBITION AGAINST CERTAIN LIMITATIONS ON TYPES OR CATEGORIES OF LOW-RENT HOUSING IN PRIVATE ACCOMMODATIONS

79 Stat. 456.
42 USC 1421b.

SEC. 210. The first sentence of section 23(d) of the United States Housing Act of 1937 is amended by inserting before the period at the end thereof the following: "(and no limitation not specifically provided for in this section shall be imposed by regulations of the Authority on the types or categories of structures or dwelling units, qualifying under subsection (a) (3) and approved under subsection (c), which may be so used in any community)".

TITLE III—FEDERAL HOUSING ADMINISTRATION INSURANCE OPERATIONS

MORTGAGE INSURANCE PREMIUMS FOR SERVICEMEN AND THEIR WIDOWS

68 Stat. 603.
12 USC 1715m.

SEC. 301. Section 222 of the National Housing Act is amended—

(1) by striking out "Secretary of the Treasury" each place it appears and inserting in lieu thereof "Secretary of Transportation"; and

(2) by adding at the end thereof two new subsections as follows:

"(f) The Secretary is authorized to transfer to this section the insurance on any mortgage covering a single-family dwelling or a one-family unit in a condominium project insured under this Act, if the mortgage indebtedness thereof has been assumed by a serviceman who at the time of assumption is the owner of the property and either occupies the property or certifies that his failure to do so is the result of his

military assignment, or, in the case of the United States Coast Guard, other assignment.

"(g) Where a serviceman dies while on active duty in the Armed Forces of the United States or in the United States Coast Guard, leaving a surviving widow as owner of the property, the period of ownership by the serviceman (within the meaning of subsection (c) of this section) shall extend for two years beyond the date of the serviceman's death or until the date the widow disposes of the property, whichever date occurs first. The Secretary of Defense or the Secretary of Transportation, as the case may be, shall notify such widow promptly following the serviceman's death of the additional costs to be borne by the mortgagor following termination of the two-year period."

MODIFICATIONS IN TERMS OF INSURED MORTGAGES COVERING MULTIFAMILY PROJECTS

SEC. 302. Title II of the National Housing Act is amended by adding after section 238 (as added by section 104 of this Act) the following new section: 12 USC 1707-1715y.

"MODIFICATIONS IN TERMS OF INSURED MORTGAGES COVERING MULTIFAMILY PROJECTS

"SEC. 239. (a) The Secretary shall not consent to any request for an extension of the time for curing a default under any mortgage covering multifamily housing, as defined in the regulations of the Secretary, or for a modification of the terms of such mortgage, except in conformity with regulations prescribed by the Secretary in accordance with the provisions of this section. Such regulations shall require, as a condition to the granting of any such request, that, during the period of such extension or modification, any part of the rents or other funds derived by the mortgagor from the property covered by the mortgage which is not required to meet actual and necessary expenses arising in connection with the operation of such property, including amortization charges under the mortgage, be held in trust by the mortgagor and distributed only with the consent of the Secretary; except that the Secretary may provide for the granting of consent to any request for an extension of the time for curing a default under any mortgage covering multifamily housing, or for a modification of the terms of such mortgage, without regard to the foregoing requirement, in any case or class of cases in which an exemption from such requirement does not (as determined by the Secretary) jeopardize the interests of the United States.

"(b) Whoever, as an owner of a property which is security for a mortgage described in subsection (a), or as a stockholder of a corporation owning such property, or as a beneficial owner under any business organization or trust owning such property, or as an officer, director, or agent of any such owner, (1) willfully uses or authorizes the use of any part of the rents or other funds derived from property covered by such mortgage in violation of a regulation prescribed by the Secretary under subsection (a), or (2) if such mortgage is determined, as provided in subsection (a), to be exempt from the requirement of any such regulation or is not otherwise covered by such regulation, willfully and knowingly uses or authorizes the use, while such mortgage is in default, of any part of the rents or other funds derived from the property covered by such mortgage for any purpose other than to meet actual and necessary expenses arising in connection with such property (including amortization charges under the mortgage), shall be fined not more than $5,000 or imprisoned not more than three years, or both."

CONDOMINIUMS

75 Stat. 160; 78 Stat. 780. 12 USC 1715y.

SEC. 303 (a) Section 234(c) of the National Housing Act is amended by striking out "rental housing, and (3)" in the first sentence and inserting in lieu thereof the following: "rental housing: *Provided*, That a one-family unit in a multifamily project involving eleven or less units shall be eligible for insurance without having been covered by a project mortgage, and (3)".

(b) Section 234(c) of such Act is further amended by striking out "(iii) 75 per centum" in the third sentence and inserting in lieu thereof "(iii) 80 per centum".

78 Stat. 781.

(c) Section 234(f) of such Act is amended by striking "five" and inserting in lieu thereof "four".

INSURANCE OF LOANS FOR PURCHASE OF FEE SIMPLE TITLE FROM LESSORS

12 USC 1707-1715y.

SEC. 304. (a) Title II of the National Housing Act is amended by adding after section 239 (as added by section 302 of this Act) the following new section:

"PURCHASE OF FEE SIMPLE TITLE FROM LESSORS

"SEC. 240. (a) The Secretary is authorized, upon such terms and conditions as he may prescribe, to make commitments to insure and to insure loans made by financial institutions for the purpose of financing purchasers by homeowners of the fee simple title to property on which their homes are located.

"(b) As used in this section—

"Financial institution." 12 USC 1703. 52 Stat. 10. 12 USC 1709. "Homeowner."

"(1) the term 'financial institution' means a lender approved by the Secretary as eligible for insurance under section 2 or a mortgagee approved under section 203(b)(1); and

"(2) the term 'homeowner' means a lessee under a long-term ground lease.

"(c) To be eligible for insurance under this section, a loan shall—

"(1) relate to property on which there is located a dwelling designed principally for a one-, two-, three-, or four-family residence;

"(2) not exceed the cost of purchasing the fee simple title, or $10,000 per family unit, whichever is the lesser;

"(3) be limited to an amount which when added to any outstanding indebtedness related to the property (as determined by the Secretary) creates a total outstanding indebtedness which does not exceed the applicable mortgage limit prescribed in section 203(b);

"(4) bear interest at not to exceed such per centum per annum (not in excess of 6 per centum), on the amount of the principal obligation outstanding at any time, as the Secretary finds necessary to meet market conditions, and such other charges (including service charges and appraisal, inspection, and other fees) as may be approved by the Secretary;

"(5) have a maturity satisfactory to the Secretary, but not to exceed twenty years from the beginning of amortization of the loan or three-quarters of the remaining economic life of the home, whichever is the lesser; and

"(6) comply with such other terms, conditions, and restrictions as the Secretary may prescribe.

"(d) The provisions of paragraphs (3), (5), (6), (7), (8), and (10) of section 220(h) shall be applicable to loans insured under this section and, as applied to loans insured under this section, references

75 Stat. 154. 12 USC 1715k.

in those paragraphs to 'home imporvement loans' and 'this subsection' shall be construed to refer to loans under this section."

(b) Section 5(c) of the Home Owners' Loan Act of 1933 (12 U.S.C. 1464(c)) is amended by adding immediately after the next to the last paragraph the following new paragraph: 48 Stat. 132; 79 Stat. 465.

"Notwithstanding any other provision of this subsection, an association may invest in loans or obligations, or interests therein, as to which the association has the benefit of insurance under section 240 of the National Housing Act, or of a commitment or agreement therefor, and such investments shall not be included in any percentage of assets or other percentage referred to in this subsection." Ante, p. 507.

EXTENSION OF SECTION 221(d)(2) SALES HOUSING PROGRAM FOR TWO-, THREE-, AND FOUR-FAMILY RESIDENCES TO ALL LOW AND MODERATE INCOME FAMILIES

SEC. 305. Section 221(d)(2) of the National Housing Act is amended by striking out "a displaced family" at the end of the first proviso and inserting in lieu thereof "the mortgagor". 73 Stat. 659. 12 USC 1715l.

REMOVAL OF DIVIDEND RESTRICTION FOR NONDWELLING FACILITIES IN SECTION 221 PROJECTS

SEC. 306. Section 221(f) of the National Housing Act is amended by striking out in the first sentence all that follows the word "mortgage" in the proviso and inserting in lieu thereof ": *Provided further*, That, in the case of a mortgage which bears interest at the below-market interest rate prescribed in the proviso of subsection (d)(5), the provisions of section 220(d)(3)(B)(iv) shall only apply if the mortgagor waives the right to receive dividends on its equity investment in the portion thereof devoted to commercial facilities." 68 Stat. 599. 73 Stat. 658. 12 USC 1715k.

SUPPLEMENTAL LOAN PROGRAM FOR PROJECTS FINANCED WITH FEDERAL HOUSING ADMINISTRATION INSURED MORTGAGES

SEC. 307. Title II of the National Housing Act is amended by adding after section 240 (as added by section 304 of this Act) the following new section: 12 USC 1707-1715y.

"SUPPLEMENTAL LOANS FOR MULTIFAMILY PROJECTS

"SEC. 241. (a) With respect to a multifamily project or group practice facility covered by a mortgage insured under any section or title of this Act, the Secretary is authorized, upon such terms and conditions as he may prescribe, to made commitments to insure, and to insure, supplemental loans (including advances during construction or improvement) made by financial institutions approved by the Secretary. As used in this section, 'supplemental loan' means a loan, advance of credit, or purchase of an obligation representing a loan or advance of credit made for the purpose of financing improvements or additions to such project or facility: *Provided*, That a loan involving a nursing home covered by a mortgage insured under section 232 or a loan involving a group practice facility covered by a mortgage insured under title XI may also be made for the purpose of financing equipment to be used in the operation of such nursing home or facility. 73 Stat. 663. 12 USC 1715w. 80 Stat. 1274. 12 USC 1749aaa et seq.

"(b) To be eligible for insurance under this section, a supplemental loan shall—

"(1) be limited to 90 per centum of the amount which the Secretary estimates will be the value of such improvements, additions, and equipment, except that such amount when added to the

outstanding balance of the mortgage covering the project or facility, shall not exceed the maximum mortgage amount insurable under the section or title pursuant to which the mortgage covering such project of facility is insured;

"(2) have a maturity satisfactory to the Secretary but not to exceed the remaining term of the mortgage;

"(3) bear interest (exclusive of premium charges for insurance and service charges, if any) at not to exceed such per centum per annum (not in excess of 6 per centum), on the amount of the principal obligation outstanding at any time, as the Secretary finds necessary to meet market conditions;

"(4) be secured in such manner as the Secretary may require;

"(5) be governed by the labor standards provisions of section 212 that are applicable to the section or title pursuant to which the mortgage covering the project or facility is insured; and

53 Stat. 807.
12 USC 1715c.

"(6) contain such other terms, conditions, and restrictions as the Secretary may prescribe.

"(c) The provisions of subsections (d), (e), (g), (h), (i), (j), (k), (l), and (n) of section 207 shall be applicable to loans insured under this section, except that (1) all references to the term 'mortgage' shall be construed to refer to the term 'loan' as used in this section, (2) loans involving projects covered by a mortgage insured under section 213 that is the obligation of the Cooperative Management Housing Insurance Fund shall be insured under and shall be the obligation of such fund, and (3) loans involving projects covered by a mortgage insured under section 236 shall be insured under and shall be the obligation of the Special Risk Insurance Fund."

52 Stat. 9.
12 USC 1713.
64 Stat. 54.
12 USC 1715e.
Ante, p. 498.

HOME IMPROVEMENT LOANS—INCREASE IN MAXIMUM MATURITY, FINANCE CHARGE, AND LOAN AMOUNT

SEC. 308. Section 2(b) of the National Housing Act is amended—

56 Stat. 305; 70 Stat. 1091.
12 USC 1703.

(1) by striking out "$3,500" and inserting in lieu thereof "$5,000";

(2) by striking out "five years" and inserting in lieu thereof "seven years";

(3) by striking out "$5 discount" and inserting in lieu thereof "$5.50 discount"; and

(4) by striking out "$4 discount" and inserting in lieu thereof "$4.50 discount".

EXPERIMENTAL HOUSING PROGRAM

SEC. 309. Section 233 of the National Housing Act is amended—

78 Stat. 779.
12 USC 1715x.

(1) by striking out "of this title" immediately before the semicolon in subsection (b) and inserting in lieu thereof "or titles of this Act"; and

(2) by striking out "of this title" in subsection (e) and inserting in lieu thereof "or title of this Act".

TERM OF FEDERAL HOUSING ADMINISTRATION MORTGAGES FOR LAND DEVELOPMENT

SEC. 310. Section 1002(d)(1) of the National Housing Act is amended—

79 Stat. 462.
12 USC 1749bb.

(1) by striking out "seven" and inserting in lieu thereof "ten"; and

(2) by striking out the semicolon and inserting in lieu thereof the following: ": *Provided*, That the Secretary may agree to a reasonable extension of the term of a mortgage, the maturity of

which is limited by this paragraph to not more than ten years, if he determines that unusual or unforeseen circumstances make such extension necessary to avoid undue hardship to the mortgagor;".

REHABILITATED MULTIFAMILY PROJECTS IN URBAN RENEWAL AREAS

SEC. 311. (a) Section 220(d)(3)(B)(ii) of the National Housing Act is amended by inserting immediately before the semicolon at the end thereof ": *Provided further*, That the mortgage may involve the financing of the purchase of property which has been rehabilitated by a local public agency with Federal assistance pursuant to section 110(c)(8) of the Housing Act of 1949, and, in such case the foregoing limitations upon the amount of the mortgage shall be based upon the appraised value of the property as of the date the mortgage is accepted for insurance". 68 Stat. 596. 12 USC 1715k. 70 Stat. 1097; 78 Stat. 788. 42 USC 1460.

(b) Section 221(d)(3)(iii) of such Act is amended by inserting immediately before the colon at the end of the first proviso ": *Provided further*, That the mortgage may involve the financing of the purchase of property which has been rehabilited by a local public agency with Federal assistance pursuant to section 110(c)(8) of the Housing Act of 1949, and, in such case, the amount of the mortgage shall not exceed the appraised value of the property as of the date the mortgage is accepted for insurance". 75 Stat. 150. 12 USC 1715l.

MISCELLANEOUS HOUSING INSURANCE

SEC. 312. (a) Section 223 of the National Housing Act is amended—

(1) by striking out so much of subsection (a) as precedes paragraph (1) and inserting in lieu thereof the following: 68 Stat. 605. 12 USC 1715n.

"(a) Notwithstanding any of the provisions of this Act and without regard to limitations upon eligibility contained in any section or title of this Act, the Secretary is authorized, upon application by the mortgagee, to insure or make commitments to insure under any section or title of this Act any mortgage—";

(2) by striking out "applicable to loans insured under section 203, 207, 213, 220, 221, 222, 231, 232, or 233, as the case may be" in the first and second provisos of subsection (a)(7) and inserting in lieu thereof "prescribed under the applicable section or title of this Act"; 68 Stat. 605; 69 Stat. 484.

(3) by striking out "this title" each time it appears in subsection (c) and inserting in lieu thereof "this Act"; 68 Stat. 606;

(4) by striking out "title I, title II, title VI, title VII, title VIII, or title IX" in subsection (c) and inserting in lieu thereof "any section or title of this Act"; and 75 Stat. 154.

(5) by striking out "(except that in any case the payment of insurance shall be in debentures)" at the end of subsection (c).

(b) Section 223(d) of such Act is amended by striking out all that follows "as he may prescribe," and inserting in lieu thereof the following: "insure under the same section as the original mortgage a loan by the mortgagee in an amount not exceeding the excess of the foregoing expenses over the project income. Such loan shall (1) bear interest (exclusive of premium charges for insurance) at not to exceed the per centum per annum currently permitted for mortgages insured under the section under which it is to be insured, (2) be secured in such manner as the Secretary shall require, and (3) be limited to a term not exceeding the unexpired term of the original mortgage. The Secretary is authorized to collect a premium charge for insurance of loans pursuant to this subsection in an amount computed at the same premium rate as is applicable to the original mort- 75 Stat. 182.

gage. This premium shall be payable in cash or in debentures of the insurance fund under which the loan is insured at par plus accrued interest. In the event of a failure of the borrower to make any payment due under such loan or under the original mortgage, both the loan and original mortgage shall be considered in default, and if such default continues for a period of thirty days, the lender shall be entitled to insurance benefits, computed in the same manner as for the original mortgage, except that in determining the interest rate under section 224 for the debentures representing the portion of the claim applicable to the loan, the date of the commitment to insure the loan and the insurance date of the loan shall be taken into consideration rather than the commitment or insurance date for the original mortgage."

68 Stat. 606; 75 Stat. 182. 12 USC 1715o.

SUPPLEMENTARY LOANS FOR COOPERATIVE HOUSING PURCHASED FROM THE FEDERAL GOVERNMENT

SEC. 313. Section 213(j) of the National Housing Act is amended—

75 Stat. 179. 12 USC 1715e.

(1) by inserting after the first sentence of paragraph (1) the following sentence: "The Secretary is further authorized to make commitments to insure and to insure supplementary cooperative loans (including advances during construction or improvement) with respect to any property purchased from the Federal Government by a nonprofit corporation or trust of the character described in paragraph (1) of subsection (a), if the property is covered by an uninsured mortgage representing a part of the purchase price."; and

64 Stat. 54.

(2) by adding before the semicolon at the end of paragraph (2)(B) the following: "; except that, in the case of repairs or improvements to a property covered by an uninsured mortgage dated more than twenty years prior to the date of the commitment to insure, of such magnitude that the Secretary deems them to be a major rehabilitation or modernization of such property, the loan may have a maturity date up to ten years in excess of the remaining term of the uninsured mortgage".

EQUIPMENT IN NURSING HOMES

SEC. 314. Section 232 of the National Housing Act is amended—

73 Stat. 663. 12 USC 1715w.

(1) by striking out subsection (b)(2) and inserting in lieu thereof the following:

"(2) the term 'mortgage' means a first mortgage on real estate in fee simple, or on the interest of either the lessor or lessee thereof (A) under a lease for not less than ninety-nine years which is renewable, or (B) under a lease having a period of not less than fifty years to run from the date the mortgage was executed. The term 'first mortgage' means such classes of first liens as are commonly given to secure advances (including but not limited to advances during construction) on, or the unpaid purchase price of, real estate under the laws of the State in which the real estate is located, together with the credit instrument or instruments, if any, secured thereby, and any mortgage may be in the form of one or more trust mortgages or mortgage indentures or deeds of trust, securing notes, bonds, or other credit instruments, and, by the same instrument or by a separate instrument, may create a security interest in initial equipment, whether or not attached to the realty. The term 'mortgagor' shall have the meaning set forth in section 207(a) of this Act.";

52 Stat. 9. 12 USC 1713.

(2) by striking out so much of subsection (d) as precedes paragraph (1) and inserting in lieu thereof the following:

"(d) In order to carry out the purposes of this section, the Secretary is authorized to insure any mortgage which covers a new or rehabilitated nursing home, including equipment to be used in its operation, subject to the following conditions:"; and

(3) by striking out "when the proposed improvements are completed" before the period at the end of subsection (d)(2) and inserting in lieu thereof the following: ", including equipment to be used in the operation of the nursing home, when the proposed improvements are completed and the equipment is installed".

FLEXIBLE INTEREST RATES FOR CERTAIN FHA INSURANCE PROGRAMS

SEC. 315. Section 3(a) of the Act entitled "An Act to amend chapter 37 of title 38 of the United States Code with respect to the veterans' home loan program, to amend the National Housing Act with respect to interest rates on insured mortgages, and for other purposes", approved May 7, 1968, is amended by inserting "235(j)(2)(C), 236(j)(4)(B), 240(c)(4), 241(b)(3), 242(d)(3)(B)," after "234(f),". Ante, p. 113.

FHA SECTION 221(h) PROGRAM

SEC. 316. (a) Section 221(h)(2)(A) of the National Housing Act is amended to read as follows: 80 Stat. 1268. 12 USC 1715l.

"(A) be executed by a private nonprofit corporation or association, approved by the Secretary, for financing the purchase and rehabilitation (with the intention of subsequent resale) of property comprising one or more tracts or parcels, whether or not contiguous, upon which there is located deteriorating or substandard housing consisting of (i) four or more single-family dwellings of detached, semidetached, or row construction, or (ii) four or more one-family units in a structure or structures for which a plan of family unit ownership approved by the Secretary is established;".

(b) Section 221(h) of such Act is amended by adding at the end thereof (after the new paragraph added by section 101(c)(3) of this Act) two new paragraphs as follows:

"(7) Where the Secretary has approved a plan of family unit ownership, the terms 'single-family dwelling', 'single-family dwellings', 'individual dwelling', an 'individual dwellings' shall mean a family unit or family units, together with the undivided interest (or interests) in the common areas and facilities.

"(8) For purposes of this subsection, the terms 'single-family dwelling' and 'single-family dwellings' (except for purposes of paragraph (7)) shall include a two-family dwelling which has been approved by the Secretary if one of the units is to be occupied by the owner."

HOUSING IN OUTLYING AREAS

SEC. 317. Section 203(i) of the National Housing Act is amended by striking out "not in excess of $12,500" and inserting in lieu thereof "not in excess of $13,500". 71 Stat. 295; 79 Stat. 466. 12 USC 1709.

SEASONAL HOMES

SEC. 318. Section 203 of the National Housing Act is amended by adding at the end thereof the following new subsection: 52 Stat. 10; 80 Stat. 1266.

"(m) The Secretary is authorized to insure under this section any mortgage meeting the requirements of subsection (b) of this section, except as modified by this subsection. To be eligible, the mortgage shall involve a principal obligation not in excess of $15,000 and not

in excess of 75 per centum of the appraised value of the property, as of the date the mortgage is accepted for insurance. The mortgage shall cover a dwelling for single-family occupancy which is approved for mortgage insurance prior to the beginning of construction. The dwelling need not be designed for year-round occupancy, but it shall (1) meet standards prescribed by the Secretary, and (2) be located in an area where the Secretary finds it is not practicable to obtain conformity with many of the requirements essential to the insuring of mortgages on housing in built-up urban areas. The development of the property with respect to which the mortgage is executed shall be consistent with the conservation of water and other natural resources of the area, and such property shall be an acceptable risk, giving consideration to the economic potential of the area in which the dwelling is located and the contribution that the housing will make toward improving the area. The Secretary may suspend the issuance of commitments under this subsection for the insurance of mortgages secured by properties situated in any area, whenever he determines that (i) there is a serious and unusual shortage of mortgage funds for residential construction in such area, (ii) such insurance would affect materially and adversely the availability of mortgage funds for residential construction in such area, and (iii) such suspension would not have an adverse impact upon the balanced economic development of the area."

TITLE IV—GUARANTEES FOR FINANCING NEW COMMUNITY LAND DEVELOPMENT

CITATION

Citation of title.

SEC. 401. This title may be referred to as the "New Communities Act of 1968".

PURPOSE

SEC. 402. It is the purpose of this title, by facilitating the enlistment of private capital in new community development, to encourage the development of new communities that—

(1) contribute to the general betterment of living conditions through the improved quality of community development made possible by a consistent design for the provision of homes, commercial and industrial facilities, public and community facilities, and open spaces;

(2) make substantial contributions to the sound and economic growth of the areas in which they are located;

(3) provide needed additions to the general housing supply;

(4) provide opportunities for innovation in housing and community development technology and in land use planning;

(5) enlarge housing and employment opportunities by increasing the range of housing choice and providing new investment opportunities for industry and commerce;

(6) encourage the maintenance and growth of a diversified local homebuilding industry; and

(7) include, to the greatest extent feasible, the employment of new and improved technology, techniques, materials, and methods in housing construction, rehabilitation, and maintenance under programs administered by the Department of Housing and Urban Development with a view to reducing the cost of such construction, rehabilitation, and maintenance, and stimulating the increased and sustained production of housing under such programs.

GUARANTEE AUTHORITY

SEC. 403. To carry out the purposes of this title the Secretary is authorized to guarantee, and enter into commitments to guarantee, the bonds, debentures, notes, and other obligations issued by new community developers to help finance new community development projects. The Secretary may make such guarantees and enter into such commitments, subject to the limitations contained in sections 404 and 405, upon such terms and conditions as he may prescribe, taking into account (1) the large initial capital investment required to finance sound new communities, (2) the extended period before initial returns on this type of investment can be expected, (3) the irregular pattern of cash returns characteristic of such investment, and (4) the financial and security interests of the United States in connection with guarantees made under this title.

ELIGIBLE NEW COMMUNITY DEVELOPMENT

SEC. 404. No guarantee or commitment to guarantee may be made under this title unless the Secretary has determined that—

(1) the proposed new community (A) will be economically feasible in terms of economic base or potential for growth, and (B) will contribute to the orderly growth and development of the area of which it is a part;

(2) there is a practicable plan (including appropriate time schedules) for financing the land acquisition and land development costs of the proposed new community and for improving and marketing the land which, giving due consideration to the public purposes of this title and the special problems involved in financing new communities, represents an acceptable financial risk to the United States;

(3) there is a sound internal development plan for the new community which (A) has received all governmental approvals required by State or local law or by the Secretary; and (B) is acceptable to the Secretary as providing reasonable assurance that the development will contribute to good living conditions in the area being developed, will be characterized by sound land use patterns, will include a proper balance of housing for families of low and moderate income, and will include or be served by such shopping, school, recreational, transportation, and other facilities as the Secretary deems satisfactory; and

(4) the internal development plan is consistent with a comprehensive plan which covers, or with comprehensive planning being carried on for, the area in which the land is situated, and which meets criteria established by the Secretary for such comprehensive plans or planning.

ELIGIBLE OBLIGATIONS

SEC. 405. (a) Any bond, debenture, note or other obligation guaranteed under this title shall—

(1) be issued by a new community developer, other than a public body, approved by the Secretary on the basis of financial, technical and administrative ability which demonstrates his capacity to carry out the proposed project;

(2) be issued to and held by investors approved by, or meeting requirements prescribed by, the Secretary, or if an offering to the public is contemplated, be underwritten upon terms and conditions approved by the Secretary;

(3) be issued to finance a program of land development (including acquisition or use of land) approved by the Secretary: *Provided*, That the Secretary shall, through cost certification procedures, escrow or trusteeship requirements, or other means, insure that all proceeds from the sale of obligations guaranteed under this title are expended pursuant to such program;

(4) involve a principal obligation in an amount not to exceed the lesser of (A) 80 per centum of the Secretary's estimate of the value of the property upon completion of the land development or (B) the sum of 75 per centum of the Secretary's estimate of the value of the land before development and 90 per centum of his estimate of the actual cost of the land development;

(5) bear interest at a rate satisfactory to the Secretary, such interest to be exclusive of any service charges and fees that may be approved by the Secretary;

(6) contain repayment and maturity provisions satisfactory to the Secretary; and

(7) contain provisions which the Secretary shall prescribe with respect to the protection of the security interests of the United States (including subrogation provisions), liens and releases of liens, payment of taxes, and such other matters as the Secretary may, in his discretion, prescribe.

(b) The outstanding principal obligations guaranteed under this title with respect to a single new community development project shall at no time exceed $50,000,000.

FEES AND CHARGES

SEC. 406. The Secretary is authorized to establish and collect fees for guarantees made under this title and may make such charges as he considers reasonable for the analysis of development and financing plans and for appraisals and inspections related to new community development projects. On or before January 1, 1970, the Secretary shall make a report to the Congress concerning the fees and other charges under this title that he estimates will be adequate to provide income sufficient for a self-supporting program.

Report to Congress.

GUARANTEE FUND

SEC. 407. (a) To provide for the payment of any liabilities incurred as a result of guarantees made under this title, the Secretary is authorized to establish a revolving fund which shall be comprised of (1) receipts from fees and charges; (2) recoveries under security or subrogation rights or other rights, and any other receipts obtained in connection with such guarantees; and (3) such sums, which are hereby authorized to be appropriated, as may be required for program operations and nonadministrative expenses and to make any and all payments guaranteed under this title.

(b) The full faith and credit of the United States is pledged to the payment of all guarantees made under this title with respect to both principal and interest, including (1) interest, as may be provided for in the guarantee, accruing between the date of default under a guaranteed obligation and the payment in full of the guarantee, and (2) principal and interest due under any debentures issued by the Secretary toward payment of guarantees made under this title.

(c) Notwithstanding any other provision of law relating to the acquisition, handling, improvement, or disposal of real and other property by the United States, the Secretary shall have power, for the protection of the interests of the guarantee fund authorized under this section, to pay out of such fund all expenses or charges in con-

nection with the acquisition, handling, improvement, or disposal of any property acquired by him under this title; and notwithstanding any other provision of law, the Secretary shall also have power to pursue to final collection by way of compromise or otherwise all claims acquired by him in connection with any security, subrogation, or other rights obtained by him in carrying out this title.

(d) The aggregate of the outstanding principal obligations guaranteed under this title shall at no time exceed $250,000,000.

INCONTESTABILITY

SEC. 408. Any guarantee made by the Secretary under this title shall be conclusive evidence of the eligibility of the obligations for such guarantee, and the validity of any guarantee so made shall be incontestable in the hands of a qualified holder of the guaranteed obligation except for fraud or material misrepresentation on the part of such holder.

ENCOURAGEMENT OF SMALL BUILDERS

SEC. 409. The Secretary shall adopt such requirements as he deems necessary to assure that new community construction assisted under this title will encourage the maintenance of a diversified local home-building industry and broad participation by builders, particularly small builders.

LABOR

SEC. 410. All laborers and mechanics employed by contractors or subcontractors in land development assisted under section 403 shall be paid wages at rates not less than those prevailing on similar construction in the locality as determined by the Secretary of Labor in accordance with the Davis-Bacon Act, as amended (40 U.S.C. 276a—276a–5). No assistance shall be extended under section 403 for land development without first obtaining adequate assurance that these labor standards will be maintained upon the construction work involved in such development. The Secretary of Labor shall have, with respect to the labor standards specified in this section, the authority and functions set forth in Reorganization Plan Numbered 14 of 1950 (64 Stat. 1267), and section 2 of the Act of June 13, 1934 (40 U.S.C. 276c). 49 Stat. 1011; 78 Stat. 238. 63 Stat. 108.

REAL PROPERTY TAXATION

SEC. 411. Nothing in this title shall be construed to exempt any real property that may be acquired and held by the Secretary as a result of the exercise of lien or subrogation rights from real property taxation to the same extent, according to its value, as other real property is taxed.

SUPPLEMENTARY GRANTS

SEC. 412. (a) The Secretary is authorized to make supplementary grants to State and local public bodies and agencies carrying out new community assistance projects, as defined in section 415(c), if the Secretary determines that such grants are necessary or desirable for carrying out a new community development project approved for assistance under section 403, and that a substantial number of housing units for low and moderate income persons is to be made available through such development project.

(b) In no case shall any grant under this section exceed 20 per centum of the cost of the new community assistance project for which the grant is made; and in no case shall the total Federal contributions to the cost of such project be more than 80 per centum. Federal contribution.

(c) In carrying out his authority under this section the Secretary shall consult with the Secretary of Agriculture with respect to new community assistance projects assisted by that Department, and he shall, for the purpose of subsection (b), accept that Department's certifications as to the cost of such projects.

Appropriations.

(d) There are authorized to be appropriated for grants under this section not to exceed $5,000,000 for the fiscal year ending June 30, 1969, and not to exceed $25,000,000 for the fiscal year ending June 30, 1970. Any amounts so appropriated shall remain available until expended, and any amounts authorized for any fiscal year under this subsection but not appropriated may be appropriated for any succeeding fiscal year commencing prior to July 1, 1970.

GENERAL PROVISIONS AND RULES AND REGULATIONS

SEC. 413. In the performance of, and with respect to, the functions, powers, and duties vested in him by this title, the Secretary shall (in addition to any authority otherwise vested in him) have the functions, powers, and duties (including the authority to issue rules and regulations) set forth in section 402, except subsections (c)(2), (d), and (f), of the Housing Act of 1950: *Provided*, That subsection (a)(1) of section 402 shall not apply with respect to functions, powers, and duties under section 412 of this title.

64 Stat. 78; 73 Stat. 681. 12 USC 1749a.

AUDIT BY GENERAL ACCOUNTING OFFICE

SEC. 414. Insofar as they relate to any grants or guarantees made pursuant to this title, the financial transactions of recipients of Federal grants or of developers whose obligations are guaranteed by the United States pursuant to this title may be audited by the General Accounting Office under such rules and regulations as may be prescribed by the Comptroller General of the United States. The representatives of the General Accounting Office shall have access to all books, account, records, reports, files, and all other papers, things, or property belonging to or in use by such developers or recipients of grants pertaining to such financial transactions and necessary to facilitate the audit.

GAO access to records, etc.

DEFINITIONS

SEC. 415. As used in this title—

(a) The term "land development" means the process of grading land, making, installing, or constructing water lines and water supply installations, sewer lines and sewage disposal installations, steam, gas, and electric lines and installations, roads, streets, curbs, gutters, sidewalks, storm drainage facilities, and other installations or work, whether on or off the site, which the Secretary deems necessary or desirable to prepare land for residential, commercial, industrial, or other uses, or to provide facilities for public or common use. The term "land development" shall not include any building unless it is (1) a building which is needed in connection with a water supply or sewage disposal installation or a steam, gas, or electric line or installation, or (2) a building, other than a school, which is to be owned and maintained jointly by the residents of the new community or is to be transferred to public ownership, but not prior to its completion.

(b) The term "actual costs" means the costs (exclusive of rebates or discounts) incurred by a new community developer in carrying out the land development assisted under this title. These costs may include amounts paid for labor, materials, construction contracts, land planning, engineers' and architects' fees, surveys, taxes, and interest during development, organizational and legal expenses, such allocation of gen-

eral overhead expenses as are acceptable to the Secretary, and other items of expense incidental to development which may be approved by the Secretary. If the Secretary determines that there is an identity of interest between the new community developer and a contractor, there may be included as a part of actual costs an allowance for the contractor's profit in an amount deemed reasonable by the Secretary.

(c) The term "new community assistance projects" means projects assisted by grants made under section 702 of the Housing and Urban Development Act of 1965, section 306(a)(2) of the Consolidated Farmers' Home Administration Act, or title VII of the Housing Act of 1961. 79 Stat. 490. 42 USC 3102. 79 Stat. 931. 7 USC 1926.

CONFORMING AMENDMENTS

SEC. 416. (a) Section 202(b)(4) of the Housing Amendments of 1955 is amended by adding before the period at the end of the second sentence "or under title IV of the Housing and Urban Development Act of 1968". 75 Stat. 183; 79 Stat. 494. 42 USC 1500-1500e. 75 Stat. 174; 80 Stat. 1273.

(b) The first paragraph of section 24 of the Federal Reserve Act is amended by striking out all that follows "national banking association" in the fourth sentence and adding "may make loans or purchase obligations for land development which are secured by mortgages insured under title X of the National Housing Act or guaranteed under title IV of the Housing and Urban Development Act of 1968.". 42 USC 1492. 69 Stat. 633. 12 USC 371. 79 Stat. 461. 12 USC 1749aa.

(c) The paragraph which, prior to the amendments made by this Act, was the next to last paragraph of section 5(c) of the Home Owners' Loan Act of 1933 is amended by adding at the end thereof the following new sentence: "Without regard to any other provision of this subsection, an association may invest in loans or obligations, or interests therein, as to which the association has the benefit of any guaranty under title IV of the Housing and Urban Development Act of 1968, as now or hereafter in effect, or of a commitment or agreement therefor, and such investments shall not be included in any percentage of assets or other percentage referred to in this subsection." 79 Stat. 465. 12 USC 1464.

TITLE V—URBAN RENEWAL

NEIGHBORHOOD DEVELOPMENT PROGRAMS

SEC. 501. (a) Title I of the Housing Act of 1949 is amended by adding after the title heading the following new subheading: 63 Stat. 414; 79 Stat. 457, 477. 42 USC 1450-1468.

"PART A—URBAN RENEWAL PROJECTS, DEMOLITION PROGRAMS, AND CODE ENFORCEMENT PROGRAMS"

(b) Title I of such Act is further amended by adding at the end thereof the following new part:

"PART B—NEIGHBORHOOD DEVELOPMENT PROGRAMS

"PURPOSE AND AUTHORITY

"SEC. 131. (a) To facilitate more rapid renewal and development of urban areas on an effective scale, and to encourage more efficient and flexible utilization of public and private development opportunities by local communities in such areas, the Secretary is authorized to make financial assistance available under this title to local public agencies for undertakings and activities which are carried out under a neighborhood development program approved by him pursuant to this part.

"(b) A neighborhood development program shall consist of urban renewal project undertakings and activities in one or more urban re-

newal areas which are planned and carried out on the basis of annual increments in accordance with the provisions of this title for planning and carrying out urban renewal projects, except as modified by the provisions of this part.

"(c) No application for financial assistance in planning and carrying out a neighborhood development program shall be approved by the Secretary unless—

"(1) the governing body of the locality has, by resolution or ordinance, approved the proposed program and the annual increment covered by the application and authorized the filing of the application for financial assistance; and

"(2) the Secretary has concluded that there is the necessary capacity to carry out the undertakings and activities included under the program.

"FINANCIAL PROVISIONS

"SEC. 132. (a) Upon the approval of a neighborhood development program by the Secretary, the cost of any undertakings and activities authorized as part of the program shall be financed in accordance with the loan, capital grant, and project cost provisions of part A, except that—

42 USC 1450-1468.

"(1) net project cost may be calculated on the basis of costs incurred and proceeds derived for the account of the program during a specified twelve-month period, and may be recalculated for succeeding periods of twelve months to reflect additional costs and additional proceeds since the date of the last computation or recomputation; and

"(2) if property has been acquired but not disposed of prior to the computation or recomputation of net project cost, temporary loans made or secured under this title to finance undertakings or activities included in the program may remain outstanding until the property has been disposed of and the proceeds thereof together with additional funds becoming available to the program, are sufficient to permit repayment of the loans.

"(b) In the event that gross project cost as computed for a specified twelve-month period is exceeded, with respect to that period, by the sum of (1) the sales price of land or other property sold, and (2) the imputed capital value of land or other property leased or retained by the local public agency in accordance with the provisions of the urban renewal plan, the local public agency shall pay to the Secretary two-thirds of the excess (or three-fourths in the case of a program on a three-fourths grant basis), which amount shall be available to the Secretary for grant payments under section 103.

63 Stat. 416; 73 Stat. 672. 42 USC 1453.

"LOCAL GRANTS-IN-AID

"SEC. 133. (a) For the purpose of determining the eligibility of local grants-in-aid in connection with undertakings and activities carried out under a neighborhood development program, the three-year period referred to in the second paragraph of section 110(d) shall be deemed to be a period of three years prior to the authorization by the Secretary of the first contract for financial assistance under the program which includes the urban renewal area which is benefited by the public improvement or facility for which credit is claimed; and the seven-year period referred to in clause (1) of section 112(b) shall be deemed to be a period of seven years prior to the date of authorization by the Secretary of the first contract for financial assistance under the program which includes the urban renewal area which is benefited by the expenditures for which credit is claimed.

73 Stat. 675. 42 USC 1460.

75 Stat. 169. 42 USC 1463.

"(b) No portion of the cost of a public improvement or public facility (to the extent otherwise eligible) may be included as a local grant-in-aid in computing the gross project cost of an approved program for any twelve-month period—

"(1) prior to commencement of construction of the improvement or facility, or

"(2) in excess of the amount actually expended or obligated by contract.

"(c) The provisions of section 104 with respect to the pooling of local grants-in-aid among the various projects undertaken by a local public agency shall not be applicable with respect to any excess local grants-in-aid resulting from the urban renewal projects contained in a neighborhood development program. 70 Stat. 1101. 42 USC 1454.

"GENERAL PROVISIONS

"SEC. 134. (a) For purposes of this part—

"(1) the workable program requirement in section 101(c) shall apply to the authorization, rather than the execution, of any contract for loans or capital grants; 68 Stat. 623. 42 USC 1451.

"(2) capital grants on a three-fourths basis may only be made under section 103(a)(2)(B); 79 Stat. 479.

"(3) the relocation requirements specified in section 105(c) shall apply to each annual increment of an approved program; 42 USC 1453. 79 Stat. 475.

"(4) section 106(g) (relating to transient housing) shall apply to activities undertaken under approved programs, except that the determination as to need for transient housing shall be made with respect to any sale or lease of land for construction of such housing prior to such sale or lease; and 42 USC 1455. 73 Stat. 674. 42 USC 1456.

"(5) the requirement concerning demolition and removal of buildings and improvements stated in clause (A) of the sentence following paragraph (10) of section 110(c) shall apply to each annual increment of an approved program. 70 Stat. 1097; 78 Stat. 787; 79 Stat. 476. 42 USC 1460.

"(b) The approval by the Secretary of financial assistance for one or more annual increments of a neighborhood development program shall not be considered as obligating him to provide financial assistance for any subsequent annual increments.

"(c) The urban renewal plan referred to in section 110(b) may cover one or more of the urban renewal areas covered by a neighborhood development program and such plan may be modified from time to time to cover additional urban renewal areas added to the program. The Secretary may establish such requirements as he deems appropriate prescribing the scope and content of such plan, taking into consideration, among other matters, the degree of detail needed in the plan to properly and expeditiously carry out the activities and undertakings proposed in any annual increment of a neighborhood development program." 71 Stat. 301.

(c) Notwithstanding any requirement or condition to the contrary in section 6 or 20(i) of the District of Columbia Redevelopment Act of 1945 or in any other provision of law, the District of Columbia Redevelopment Land Agency may plan and undertake neighborhood development programs under part B of title I of the Housing Act of 1949 (as added by this section), subject to all of the provisions of such Act of 1945 to the extent not inconsistent with such part B, and any such program shall be regarded as complying with the requirements of such sections 6 and 20(i) and of such other provision of law if it meets the applicable requirements established under such part B. 60 Stat. 794; 63 Stat. 441; 68 Stat. 630. D.C. Code 5-705, 5-717a.

INCREASED AUTHORIZATION

63 Stat. 416; 79 Stat. 475. 42 USC 1453.

SEC. 502. (a) Section 103(b) of the Housing Act of 1949 is amended by striking out everything in the first sentence after "exceed" and inserting in lieu thereof "$7,600,000,000, which amount shall be increased by $1,400,000,000 on July 1, 1969".

80 Stat. 1260.

(b) Section 103(b) of such Act is further amended by striking out "$250,000,000" in the second sentence and inserting in lieu thereof "$600,000,000".

REHABILITATION GRANTS

SEC. 503. (a) The second sentence of section 115(a) of the Housing Act of 1949 is amended by striking out the words "a structure" and "such structure" and inserting in lieu thereof "real property" and "such real property", respectively.

79 Stat. 457. 42 USC 1466.

(b) Section 115(b) of such Act is amended by striking out "$1,500" and inserting in lieu thereof "$3,000".

(c) Section 115(a) of such Act is amended by inserting "(1)" after "(a)", and by adding at the end thereof a new paragraph as follows:

"(2) In addition to the authority conferred by paragraph (1), and notwithstanding any other provision of this title, the Secretary is authorized, through the utilization of local public agencies where feasible, to make grants (payable from any grant funds provided under section 103(b)) to an individual or family, as described in subsection (b), to cover the cost of repairs and improvements necessary to make real property owned and occupied by such individual or family conform to public standards for decent, safe, and sanitary housing. No grants shall be made under this paragraph in the case of any property, unless (A) such property is in an area within a locality (other than an urban renewal or code enforcement area) which the governing body of the locality has determined, and so certifies to the Secretary, contains a substantial number of structures in need of such repairs and improvements, (B) there is in effect for the locality a workable program meeting the requirements of section 101(c), and (C) the area is definitely planned for rehabilitation or concentrated code enforcement within a reasonable time, and such repairs and improvements to such property are consistent with the plan for rehabilitation or concentrated code enforcement."

68 Stat. 623. 42 USC 1451.

(d) Section 115 of such Act is further amended—

(1) by redesignating subsection (b) as subsection (c) and inserting after subsection (a) a new subsection (b) as follows:

"(b) The Secretary is authorized to make grants (payable from any grant funds provided under section 103(b)), through the utilization of local public and private agencies where feasible, to an individual or family, as described in subsection (c), who owns and occupies real property which has been determined to be uninsurable because of physical hazards after an inspection pursuant to a statewide property insurance plan approved by the Secretary under title XII of the National Housing Act. Such grants may only be made to rehabilitate such property to the extent which the Secretary determines to be necessary to make it meet reasonable underwriting standards imposed by such plan."; and

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(2) by striking out "subsection (b)" in subsection (a) and inserting in lieu thereof "subsection (c)".

REHABILITATION IN URBAN RENEWAL AREAS

70 Stat. 1097; 78 Stat. 788. 42 USC 1460.

SEC. 504. Section 110(c)(8) of the Housing Act of 1949 is amended by striking out (1) "guidance purposes, and", and (2) the proviso at the end thereof.

DISPOSITION OF PROPERTY FOR LOW AND MODERATE INCOME HOUSING

SEC. 505. Section 107(a) of the Housing Act of 1949 is amended— 78 Stat. 786. 42 USC 1457.

(1) by inserting after "public body or agency," the following: "or other approved purchaser or lessee,";

(2) by inserting ", section 221(h)(1), section 235(j)(1), or section 236" after "or (d)(4)";

(3) by inserting "or lessee" after "a purchaser" and after "such purchaser", and "or lease" after "purchase";

(4) by striking out "rental or cooperative";

(5) by striking out "moderate" and inserting in lieu thereof "low or moderate"; and

(6) by inserting before the period at the end thereof the following: ": *Provided*, That when property is made available under clause (1) to an approved purchaser or lessee other than a limited dividend corporation, nonprofit corporation or association, cooperative, or public body or agency, the Secretary shall assure that the benefits of this subsection will go to the occupant of the property rather than to such purchaser or lessee".

GRANTS FOR LOW AND MODERATE INCOME HOUSING IN OPEN LAND PROJECTS

SEC. 506. Section 103(a)(1) of the Housing Act of 1949 is amended by inserting before the period at the end thereof the following: ", except that he may contract for a grant in an amount not to exceed two-thirds of the difference between the proceeds from any land disposed of pursuant to section 107 and the fair value of the land without regard to such section". 63 Stat. 416; 75 Stat. 165. 42 USC 1453.

URBAN RENEWAL LOAN CONTRACTS

SEC. 507. (a) Section 102(c) of the Housing Act of 1949 is amended— 63 Stat. 414. 42 USC 1452.

(1) by striking out "at interest rates lower than provided in the loan contract" in the first sentence; and

(2) by inserting before the period at the end of the first sentence the following: ": *Provided*, That, if at any time during the undertaking of the project, the interest rate on such a loan from a source other than the Federal Government is greater than the rate at which funds could be made available under the Federal loan contract, the Secretary may make a supplemental grant to the local public agency in the amount of the difference between the interest cost from such sources and the interest cost at the contract rate, and no part of the amount of any such grant shall be required to be contributed as a part of the local grant-in-aid".

(b) Loan contracts outstanding on the date of enactment of this section may be amended to incorporate the provisions authorized by the amendment contained in subsection (a) without regard to the proviso in section 110(g) of the Housing Act of 1949. 68 Stat. 626. 42 USC 1460.

PROJECT COMPLETION PRIOR TO DISPOSITION OF CERTAIN PROPERTY

SEC. 508. (a) Section 106 of the Housing Act of 1949 is amended by adding at the end thereof the following new subsection: 63 Stat. 417. 42 USC 1456.

"(i) Upon a determination by the Secretary that (1) not more than 5 per centum of the total area of land acquired as part of an urban renewal project remains to be disposed of, (2) the local public agency does not expect to be able, due to circumstances beyond its control, to dispose of such land in the near future, (3) all other project activities are completed, and (4) the local public agency has agreed to dispose

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of or retain such land for uses in accordance with the urban renewal plan, the urban renewal project may be deemed completed, and the net project cost may be computed and the capital grant paid."

68 Stat. 626.
42 USC 1460.

(b) Section 110(f) of such Act is amended by inserting before the period at the end thereof the following: "or for subsequent disposition or retention as provided under section 106(i)".

REHABILITATION LOANS

SEC. 509. (a) The first sentence of section 312(d) of the Housing

78 Stat. 790;
79 Stat. 479.
42 USC 1452b.

Act of 1964 is amended to read as follows: "There is authorized to be appropriated not to exceed $150,000,000 for each fiscal year which shall constitute a revolving fund to be used by the Secretary in carrying out this section."

79 Stat. 479.

(b) Section 312(h) of such Act is amended by striking out "October 1, 1969" and inserting in lieu thereof "June 30, 1973".

78 Stat. 790.

(c) Section 312(a) of such Act is amended to read as follows:

"(a) The Secretary is authorized, through the utilization of local public and private agencies where feasible, to make loans as herein provided to the owners and tenants of property to finance the rehabilitation of such property. No loan shall be made under this section unless—

"(1)(A) the property is situated in an urban renewal area or an area in which a program of concentrated code enforcement activity is being carried out pursuant to section 117 of the Housing

79 Stat. 478.
42 USC 1468.

Act of 1949, and the rehabilitation is required to make the property conform to applicable code requirements or to carry out the objectives of the urban renewal plan for the area and, in addition, to generally improve the condition of the property; or

"(B)(i) the property is in an area (other than an area described in subparagraph (A) which the governing body of the locality has determined, and so certifies to the Secretary, contains a substantial number of structures in need of rehabilitation, (ii) there is in effect for the locality a workable program meeting the

68 Stat. 623.
42 USC 1451.

requirements of section 101(c) of the Housing Act of 1949, (iii) the property is residential and owner-occupied, (iv) the property is in need of rehabilitation and is in violation of the local minimum housing or similar code, and (v) the area is definitely planned for rehabilitation or concentrated code enforcement within a reasonable time, and the rehabilitation of such property is consistent with the plan for rehabilitation or code enforcement;

"(2) the applicant is unable to secure the necessary funds from other sources upon comparable terms and conditions; and

"(3) the loan is an acceptable risk taking into consideration the need for the rehabilitation, the security available for the loan, and the ability of the applicant to repay the loan."

(d) Section 312 of such Act is further amended—

(1) by inserting "or" after the semicolon at the end of paragraph (1)(B) in subsection (a) (as amended by subsection (c) of this section), and by inserting after such paragraph (1)(B) the following new subparagraph:

"(C)(i) the property has been determined to be uninsurable because of physical hazards after an inspection pursuant to a statewide property insurance plan approved by the Secretary

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under title XII of the National Housing Act, and (ii) the loan is made to the owner or tenant of the property to finance rehabilitation which the Secretary determines to be necessary to make the property meet reasonable underwriting standards: "; and

(2) by striking out "or" after "applicable codes" in subsection (b)(1) and inserting in lieu thereof a comma, and by inserting after "urban renewal plan" in such subsection ", or a statewide property insurance plan".

(e) Section 312(a) of such Act (as amended by the preceding provisions of this section) is amended by adding at the end thereof the following new sentence: "Notwithstanding the preceding provisions of this subsection, no loan with respect to residential property shall be made under this section to any person whose annual income, as determined pursuant to criteria and procedures established by the Secretary, exceeds the limits prescribed by the Secretary for occupants of projects financed with below-market interest rate mortgages insured (in the area involved) under section 221(d)(3) of the National Housing Act: *Provided*, That the provisions of this sentence shall not apply to property in the area of an urban renewal project or a code enforcement project for which the city or other local public body or agency is receiving financial assistance under title I of the Housing Act of 1949 if, prior to the date of enactment of the Housing and Urban Development Act of 1968, such local public body or agency specifically developed plans for such project in reliance upon the availability of loans under this section."

75 Stat. 150.
12 USC 1715l.
42 USC 1450-1468; Ante, p. 518.

DEMOLITION GRANTS

SEC. 510. (a) The first sentence of section 116(a) of the Housing Act of 1949 is amended by inserting after "unsound" the following: ", a harborage or potential harborage of rats,".

79 Stat. 477.
42 USC 1467.

(b) Section 116(b) of such Act is amended by inserting after the comma at the end of clause (2) the following: "or will be consistent with a systematic rodent control program being undertaken in the neighborhood,".

AIR RIGHTS SITES IN URBAN RENEWAL AREAS

SEC. 511. (a) Section 110(c)(1)(iv) of the Housing Act of 1949 is amended by striking out "for use for industrial development" and inserting in lieu thereof "for use for the development of industrial or educational facilities".

78 Stat. 787; 80 Stat. 1281.
42 USC 1460.

(b) Section 110(c)(7) of such Act is amended by striking out "for industrial development" and inserting in lieu thereof "for the development of industrial or educational facilities".

LOW AND MODERATE INCOME HOUSING IN RESIDENTIAL URBAN RENEWAL AREAS

SEC. 512. Section 105(f) of the Housing Act of 1949 is amended to read as follows:

80 Stat. 1281.
42 USC 1455.

"(f) A majority of the housing units provided in each community's total of such approved urban renewal projects as will be redeveloped for predominantly residential uses and which receive Federal recognition after the date of enactment of the Housing and Urban Development Act of 1968 shall be standard housing units for low and moderate income families or individuals: *Provided*, That the units in each community's total of such approved urban renewal projects which are for low-income families or individuals shall constitute at least 20 per centum of the units in such projects, except that the Secretary may waive the requirement of this proviso in any community to the extent that units for low-income families and individuals are not needed. The Secretary shall promptly report any waiver under the proviso in

Report of waiver to congressional committees.

the preceding sentence to the Committees on Banking and Currency of the Senate and the House of Representatives."

WORKABLE PROGRAM REQUIREMENT IN CASE OF INDIAN TRIBES

78 Stat. 785.
42 USC 1451.

SEC. 513. Section 101(c) of the Housing Act of 1949 is amended by inserting after "1964" in the second proviso the following: "or, in the case of an Indian tribe, band, or nation, commencing January 1, 1970".

INTERIM ASSISTANCE FOR BLIGHTED AREAS

42 USC 1450-1468.

SEC. 514. Title I of the Housing Act of 1949 is amended by adding after section 117 a new section as follows:

"INTERIM ASSISTANCE FOR BLIGHTED AREAS

"SEC. 118. Notwithstanding any other provision of this title, the Secretary is authorized to enter into contracts (in an aggregate amount not to exceed $15,000,000 in any fiscal year) to make, and to make, grants as provided in this section (payable from any grant funds provided under section 103(b)) to cities, other municipalities, and counties for the purpose of assisting such localities in carrying our programs to alleviate harmful conditions in slum and blighted areas which are planned for substantial clearance, rehabilitation, or federally assisted code enforcement in the near future but in which some immediate public action is needed until clearance, rehabilitation, or code enforcement activities can be undertaken. Such grants shall not exceed two-thirds (or three-fourths in the case of any city, other municipality, or county having a population of fifty thousand or less according to the most recent decennial census) of the cost of planning and carrying out programs which may include (1) the repair of streets, sidewalks, parks, playgrounds, publicly owned utilities, and public buildings to meet needs consistent with the short-term continued use of the area prior to the undertaking of the contemplated clearance or upgrading activities, (2) the improvement of private properties to the extent needed to eliminate the most immediate dangers to public health and safety, (3) the demolition of structures determined to be structurally unsound or unfit for human habitation and which constitute a public nuisance and serious hazard to the public health and safety, (4) the establishment of temporary public playgrounds on vacant land within the area, and (5) the improvement of garbage and trash collection, street cleaning, and similar activities. The Secretary shall encourage, wherever feasible, the employment of otherwise unemployed or underemployed residents of the area in carrying out the activities and undertakings assisted under this section. The provisions of sections 101(c), 106, and 114 shall be applicable to activities and undertakings assisted under this section to the same extent as if such activities and undertakings were being carried out in an urban renewal area as part of an urban renewal project."

63 Stat. 416.
42 USC 1453.
68 Stat. 623.
42 USC 1451.
63 Stat. 417.
42 USC 1456.
78 Stat. 788.
42 USC 1465.

UTILIZATION OF LOCAL PRIVATE NONPROFIT AGENCIES FOR REHABILITATION GRANTS IN CODE ENFORCEMENT AREAS

79 Stat. 478.
42 USC 1468.

SEC. 515. Section 117 of the Housing Act of 1949 is amended by inserting the following before the period at the end thereof: ": *Provided*, That the Secretary may, in addition to authorizing a local public agency to make grants as prescribed in section 115, make such grants through the utilization of local private nonprofit agencies".

42 USC 1466.

RELOCATION PAYMENTS

SEC. 516. Section 114(c) of the Housing Act of 1949 is amended— 78 Stat. 788. 42 USC 1465.

(1) by striking out the first sentence of paragraph (2) and inserting in lieu thereof the following: "In addition to any amount under paragraph (1), a local public agency may pay to or on behalf of any displaced family, displaced individual sixty-two years of age or over, or displaced handicapped individual, monthly payments over a period not to exceed twenty-four months in an amount not to exceed $500 in the first twelve months and $500 in the second twelve months to assist such displaced family or individual to secure a decent, safe, and sanitary dwelling.";

(2) by striking out "relocation adjustment" in the second sentence of paragraph (2) and inserting in lieu thereof "additional";

(3) by striking out the second proviso in paragraph (2) and inserting in lieu thereof the following: ": *Provided further*, That additional payments under this paragraph may be paid on a lump sum or other than monthly basis in cases in which the small size of the payments that would otherwise be required do not warrant a number of separate payments or in other cases in which other than monthly payments are determined warranted by the Secretary: *And provided further*, That no payment received under this paragraph shall be considered as income for the purpose of determining the eligibility or the extent of eligibility of any person for assistance under the Social Security Act or any other Federal Act"; and 49 Stat. 620. 42 USC 1305.

(4) by inserting a new paragraph (3) as follows:

"(3) In addition to any amount under paragraph (1), a local public agency may make a payment to a displaced family or individual, who does not receive the additional payment authorized under paragraph (2) and who is the owner of real property which is acquired for a project assisted under this title and which is improved by a single- or two-family dwelling occupied by the owner for a period of not less than one year prior to the initiation of negotiations for the acquisition of such property. Such payment, not to exceed $5,000, shall be an amount which, when added to the acquisition payment, equals the average price required for a decent, safe, and sanitary dwelling of modest standards adequate in size to accommodate the displaced owner, reasonably accessible to public services and places of employment and available on the private market: *Provided*, That such payment may be made only to a displaced owner who purchases and occupies a dwelling within one year subsequent to the date on which he is required to move from the dwelling acquired for the project: *Provided further*, That no such payment may be made if the owner-occupant receives a payment required by the State law of eminent domain which is determined by the Secretary to have substantially the same purpose and effect as this paragraph and to be part of the cost of the project for which Federal financial assistance is available."

TITLE VI—URBAN PLANNING AND FACILITIES

COMPREHENSIVE PLANNING

SEC. 601. Section 701 of the Housing Act of 1954 is amended to read as follows: 73 Stat. 678. 40 USC 461.

"COMPREHENSIVE PLANNING

"SEC. 701. (a) In order to assist State and local governments in solving planning problems, including those resulting from the increasing concentration of population in metropolitan and other urban areas

and the out-migration from and lack of coordinated development of resources and services in rural areas; to facilitate comprehensive planning for urban and rural development, including coordinated transportation systems, on a continuing basis by such governments; and to encourage such governments to establish and improve planning staffs and techniques on an areawide basis, and to engage private consultants where their professional services are deemed appropriate by the assisted governments, the Secretary is authorized to make planning grants to—

"(1) State planning agencies for the provision of planning assistance to (A) cities and other municipalities having a population of less than 50,000 according to the latest decennial census, and counties without regard to population: *Provided*, That grants shall be made under this paragraph for planning assistance to counties having a population of 50,000 or more, according to the latest decennial census, which are within metropolitan areas, only if (i) the Secretary finds that planning and plans for such county will be coordinated with the program of comprehensive planning, if any, which is being carried out for the metropolitan area of which the county is a part, and (ii) the aggregate amount of the grants made subject to this proviso does not exceed 15 per centum of the aggregate amount appropriated, after September 2, 1964, for the purposes of this section, (B) any group of adjacent communities, either incorporated or unincorporated, having a total population of less than 50,000 according to the latest decennial census and having common or related urban planning problems, (C) cities, other municipalities, and counties referred to in paragraph (3) of this subsection, and areas referred to in paragraph (4) of this subsection, and (D) Indian reservations;

"(2) State, metropolitan, and regional planning agencies for metropolitan or regional planning, and to cities, within metropolitan areas, for planning which is part of comprehensive metropolitan planning and which shall supplement and be coordinated with State, metropolitan, and regional planning;

"(3)(A) economic development districts designated by the Secretary of Commerce under title IV of the Public Works and Economic Development Act of 1965, and

79 Stat. 560.
42 USC 3161-3171 and note.

"(B) cities, other municipalities, and counties which (i) are situated in redevelopment areas or economic development districts designated by the Secretary of Commerce under title IV of the Public Works and Economic Development Act of 1965, or (ii) have suffered substantial damage as a result of catastrophe which the President, pursuant to section 2(a) of the Act entitled 'An Act to authorize Federal assistance to States and local governments in major disasters, and for other purposes', approved September 30, 1950, as amended (42 U.S.C. 1855a), has determined to be a major disaster;

64 Stat. 1109.

"(4) official governmental planning agencies for areas where rapid urbanization has resulted or is expected to result from the establishment or rapid and substantial expansion of a Federal installation, or for areas where rapid urbanization is expected to result on land developed or to be developed as a new community approved under section 1004 of the National Housing Act or title IV of the Housing and Urban Development Act of 1968;

80 Stat. 1271.
12 USC 1749cc-1.
Ante, p. 513.

"(5) States for State and interstate comprehensive planning and for research and coordination activity related thereto, including technical and other assistance for the establishment and operation of intrastate and interstate planning agencies;

"(6) State planning agencies for assistance to district planning, or planning for areas within districts, carried on by or for district planning agencies;

"(7) metropolitan and regional planning agencies, with the approval of the State planning agency or (in States where no such planning agency exists) of the Governor of the State, for the provision of planning assistance within the metropolitan area or region to cities, other municipalities, counties, groups of adjacent communities, or Indian reservations described in clauses (A), (B), (C), and (D) of paragraph (1) of this subsection;

"(8) official governmental planning agencies for any area where there has occurred a substantial reduction in employment opportunities as the result of (A) the closing (in whole or in part) of a Federal installation, or (B) a decline in the volume of Government orders for the procurement of articles or materials produced or manufactured in such area;

"(9) tribal planning councils or other tribal bodies designated by the Secretary of the Interior for planning for an Indian reservation;

"(10) the various regional commissions established by the Appalachian Regional Development Act of 1965 or under the Public Works and Economic Development Act of 1965 for comprehensive planning for the regions established under such Acts (or State agencies or instrumentalities participating in such planning); and

79 Stat. 5.
40 USC app. 1.
79 Stat. 552.
42 USC 3121 note.

"(11) local development districts, certified under section 301 of the Appalachian Regional Development Act of 1965, for comprehensive planning for their entire areas, or for metropolitan planning, urban planning, county planning, or small municipality planning within such areas in the Appalachian region, and for planning for Appalachian regional programs.

Planning assisted under this section shall, to the maximum extent feasible, cover entire areas having common or related development problems. The Secretary shall encourage cooperation in preparing and carrying out plans among all interested municipalities, political subdivisions, public agencies, and other parties in order to achieve coordinated development of entire areas. To the maximum extent feasible, pertinent plans and studies already made for areas shall be utilized so as to avoid unnecessary repetition of effort and expense. Planning which may be assisted under this section includes the preparation of comprehensive transportation surveys, studies, and plans to aid in solving problems of traffic congestion, facilitating the circulation of people and goods in metropolitan and other areas and reducing transportation needs. Planning carried out with assistance under this section shall also include a housing element as part of the preparation of comprehensive land use plans, and this consideration of the housing needs and land use requirements for housing in each comprehensive plan shall take into account all available evidence of the assumptions and statistical bases upon which the projection of zoning, community facilities, and population growth is based, so that the housing needs of both the region and the local communities studied in the planning will be adequately covered in terms of existing and prospective in-migrant population growth. Funds available under this section shall be in addition to and may be used jointly with funds available for planning surveys and investigations under other federally aided programs, and nothing contained in this section shall be construed as affecting the authority of the Secretary of Transportation under section 307 of title 23, United States Code.

72 Stat. 913.

"(b) A planning grant made under subsection (a) shall not exceed two-thirds of the estimated cost of the work for which the grant is made: *Provided*, That such a grant may be made for up to 75 per centum of such estimated cost when made for planning primarily for (1) redevelopment areas, local development districts, or economic development districts, or portions thereof, described in paragraph (3) (A) and (B) (i) and paragraph (11) of subsection (a), (2) areas described in subsection (a) (8), and (3) the various regions, as described in subsection (a) (10). All grants made under this section shall be subject to terms and conditions prescribed by the Secretary. No portion of any grant made under this section shall be used for the preparation of plans for specific public works. The Secretary is authorized, notwithstanding the provisions of section 3648 of the Revised Statutes, as amended, to make advance or progress payments on account of any grant made under this section. There are authorized to be appropriated for the purposes of this section not to exceed $265,000,000 prior to July 1, 1969, and not to exceed $390,000,000 prior to July 1, 1970. Of the amount available prior to July 1, 1969, $20,000,000 may be used only for district planning grants under subsection (a) (6), which amount shall be increased by $10,000,000 on July 1, 1969. Any amounts appropriated under this section shall remain available until expended: *Provided*, That, of any funds appropriated under this section, not to exceed an aggregate of $10,000,000 plus 5 per centum of the funds so appropriated may be used by the Secretary for studies, research, and demonstration projects, undertaken independently or by contract, for the development and improvement of techniques and methods for comprehensive planning and for the advancement of the purposes of this section, and for grants to assist in the conduct of studies and research relating to needed revisions in State statutes which create, govern, or control local governments and local governmental operations.

31 USC 529.
Appropriation.

"(c) The Secretary is authorized, in areas embracing several municipalities or other political subdivisions, to encourage planning on a unified regional, district, or metropolitan basis and to provide technical assistance for such planning and the solution of problems relating thereto.

"(d) It is the further intent of this section to encourage comprehensive planning, including transportation planning, for States, cities, counties, metropolitan areas, districts, regions, and Indian reservations and the establishment and development of the organizational units needed therefor. In extending financial assistance under this section, the Secretary may require such assurances as he deems adequate that the appropriate State and local agencies are making reasonable progress in the development of the elements of comprehensive planning. The Secretary is authorized to provide technical assistance to State and local governments and their agencies and instrumentalities, and to Indian tribal bodies, undertaking such planning and, by contract or otherwise, to make studies and publish information on related problems.

Consultation with other Government officials.

"(e) In the exercise of his responsibilities under this section, the Secretary shall consult with those officials of the Federal Government responsible for the administration of programs of Federal assistance to the States and municipalities for various categories of public facilities and other comprehensively planned activities. He shall, particularly, consult with the Secretary of Agriculture prior to his approval of any district planning grants under subsections (a) (6) and (g), and with the Secretary of Commerce prior to his approval of any planning grants which include any part of an economic development district as defined and designated under the Public Works and Eco-

nomic Development Act of 1965. The Secretary of Agriculture and the Secretary of Commerce, as appropriate, may provide technical assistance, with or without reimbursement, in connection with the establishment of districts by the Secretary of Housing and Urban Development and the carrying out of planning by such districts. 79 Stat. 552. 42 USC 3121 note.

"(f) The consent of the Congress is hereby given to any two or more States to enter into agreements or compacts, not in conflict with any law of the United States, for cooperative effort and mutual assistance in the comprehensive planning for the growth and development of interstate, metropolitan, or other urban areas, and to establish such agencies, joint or otherwise, as they may deem desirable for making effective such agreements and compacts. Interstate compacts.

"(g) In addition to the planning grants authorized by subsection (a), the Secretary is further authorized to make grants to organizations composed of public officials representative of the political jurisdictions within the metropolitan area, region, or district for the purpose of assisting such organizations to undertake studies, collect data, develop metropolitan, regional, and district plans and programs, and engage in such other activities, including implementation of such plans, as the Secretary finds necessary or desirable for the solution of the metropolitan, regional, or district problems in such areas, regions, or districts. To the maximum extent feasible, all grants under this subsection shall be for activities relating to all the developmental aspects of the total metropolitan area, region, or district including, but not limited to, land use, transportation, housing, economic development, natural resources development, community facilities, and the general improvement of living environments. A grant under this subsection shall not exceed two-thirds of the estimated cost of the work for which the grant is made.

"(h) In addition to the other grants authorized by this section, the Secretary is authorized to make grants to assist any city, other municipality, or county in making a survey of the structures and sites in such locality which are determined by its appropriate authorities to be of historic or architectural value. Any such survey shall be designed to identify the historic structures and sites in the locality, determine the cost of their rehabilitation or restoration, and provide such other information as may be necessary or appropriate to serve as a foundation for a balanced and effective program of historic preservation in such locality. The aspects of any such survey which relate to the identification of historic and architectural values shall be conducted in accordance with criteria found by the Secretary to be comparable to those used in establishing the national register maintained by the Secretary of the Interior under other provisions of law; and the results of each such survey shall be made available to the Secretary of the Interior. A grant under this subsection shall not exceed two-thirds of the cost of the survey for which it is made, and shall be made to the appropriate agency or entity specified in paragraphs (1) through (11) of subsection (a) or, if there is no such agency or entity which is qualified and willing to receive the grant and provide for its utilization in accordance with this subsection, directly to the city, other municipality, or county involved. Historical sites and structures, study. 80 Stat. 915. 16 USC 470-470m.

"(i) As used in this section—

"(1) The term 'metropolitan area' means a standard metropolitan statistical area, as established by the Bureau of the Budget, subject, however, to such modifications or extensions as the Secretary deems to be appropriate for the purposes of this section.

"(2) The term 'region' includes (A) all or part of the area of jurisdiction of one or more units of general local government, and (B) one or more metropolitan areas.

"(3) The term 'district' includes all or part of the area of jurisdiction of (A) one or more counties, and (B) one or more other units of general local government, but does not include any portion of a metropolitan area.

"(4) The term 'comprehensive planning' includes the following:

"(A) preparation, as a guide for governmental policies and action, of general plans with respect to (i) the pattern and intensity of land use, (ii) the provision of public facilities (including transportation facilities) and other government services, and (iii) the effective development and utilization of human and natural resources;

"(B) long-range physical and fiscal plans for such action;

"(C) programing of capital improvements and other major expenditures, based on a determination of relative urgency, together with definite financing plans for such expenditures in the earlier years of the program;

"(D) coordination of all related plans and activities of the State and local governments and agencies concerned; and

"(E) preparation of regulatory and administrative measures in support of the foregoing.

Comprehensive planning for the purpose of districts shall not include planning for or assistance to establishments in relocating from one area to another or assist subcontractors whose purpose is to divest, or whose economic success is dependent upon divesting, other contractors or subcontractors of contracts theretofore customarily performed by them: *Provided*, That this limitation shall not be construed to prohibit assistance for the expansion of an existing business entity through the establishment of a new branch, affiliate, or subsidiary of such entity, if the Secretary finds that the establishment of such branch, affiliate, or subsidiary will not result in an increase in unemployment in the area of original location or in any other area where such entity conducts business operations, unless the Secretary has reason to believe that such branch, affiliate, or subsidiary is being established with the intention of closing down the operations of the existing business entity in the area of its original location or in any other area where it conducts such operations.

"(5) The term 'State planning agencies' includes official State planning agencies and (in States where no such planning agency exists) agencies or instrumentalities of State government designated by the Governor of the State and acceptable to the Secretary.

"(6) The terms 'metropolitan planning agencies', 'regional planning agencies', and 'district planning agencies' mean official metropolitan, regional, and district planning agencies, or other agencies and instrumentalities designated by the Governor (or Governors in the case of interstate planning), and acceptable to the Secretary, empowered under State or local law or interstate compact to perform metropolitan, regional, or district planning, respectively: *Provided*, That such agencies and instrumentalities shall, to the greatest practicable extent, be composed of or responsible to the elected officials of the unit or units of general local government for whose jurisdictions they are empowered to engage in planning."

PLANNED AREAWIDE DEVELOPMENT

SEC. 602. (a) The heading of title II of the Demonstration Cities and Metropolitan Development Act of 1966 is amended to read as follows: "TITLE II—PLANNED AREAWIDE DEVELOPMENT".

80 Stat. 1261.
42 USC 3331.

(b) Section 201 of such Act is amended to read as follows:

"FINDINGS AND DECLARATION OF PURPOSE

"SEC. 201. (a) The Congress hereby finds that the welfare of the Nation and of its people is directly dependent upon the sound and orderly development and the effective organization and functioning of our State and local governments.

"It further finds that it is essential that our State and local governments prepare, keep current, and carry out comprehensive plans and programs for their orderly physical development with a view to meeting efficiently all their economic and social needs.

"It further finds that our State and local governments are especially handicapped in this task by the complexity and scope of governmental services required, the multiplicity of political jurisdictions and agencies involved, and the inadequacy of the operational and administrative arrangements available for cooperation among them.

"It further finds that present requirements for areawide planning and programing in connection with various Federal programs have materially assisted in the solution of areawide problems, but that greater coordination of Federal programs and additional participation and cooperation are needed from the States and localities in perfecting and carrying out such efforts.

"(b) It is the purpose of this title to provide through greater coordination of Federal programs, and through supplementary grants for certain federally assisted development projects, additional encouragement and assistance to States and localities for making comprehensive areawide planning and programing effective."

(c) Section 202 of such Act is amended by striking out "metropolitan" each place it appears and inserting in lieu thereof "areawide". 80 Stat. 1261. 42 USC 3332.

(d)(1) Section 205 of such Act is amended by striking out "metropolitan development" each place it appears and inserting in lieu thereof "areawide development". 42 USC 3335.

(2) Such section is further amended by striking out "metropolitan areas" and "metropolitan area" and inserting in lieu thereof "areas" and "area", respectively.

(3) Such section is further amended by striking out "metropolitanwide" each place it appears, and inserting in lieu thereof "areawide".

(4) Such section is further amended by striking out "metropolitan planning" each place it appears and inserting in lieu thereof "areawide planning".

(5) Such section is further amended by inserting "where appropriate," after "(B)" in subsection (c)(1).

(6) Such section is further amended by striking out "within the metropolitanwide area" in subsection (f).

(e)(1) Paragraphs (1) and (2) of section 208 of such Act are amended by striking out "Metropolitan" and inserting in lieu thereof "Areawide". 42 USC 3338.

(2) Paragraph (7) of such section is amended—

(A) by striking out "or metropolitan or regional" and inserting in lieu thereof ", metropolitan, regional, or district"; and

(B) by striking out "metropolitan" in the parenthetical phrase.

(f) Section 206(b) of such Act is amended by striking out the second sentence and inserting in lieu thereof the following: "Any amounts appropriated under this section shall remain available until expended, and any amounts authorized for any fiscal year under this section but not appropriated may be appropriated for any succeeding fiscal year commencing prior to July 1, 1970." 42 USC 3336.

ADVANCE ACQUISITION OF LAND

SEC. 603. (a) Section 701 of the Housing and Urban Development Act of 1965 is amended by striking out "in connection with the future construction of public works and facilities" in clause (3) and inserting in lieu thereof "in the future for public purposes".

79 Stat. 489.
42 USC 3101.

(b) Section 704 of such Act is amended to read as follows:

42 USC 3104.

"ADVANCE ACQUISITION OF LAND

"SEC. 704. (a) In order to encourage and assist the timely acquisition of land planned to be utilized in the future for public purposes, the Secretary is authorized to make grants to States and local public bodies and agencies to assist in financing the acquisition of a fee simple estate or other interest in such land.

"(b) The amount of any grant made under this section shall not exceed the aggregate amount of reasonable interest charges on the loans or other financial obligations incurred to finance the acquisition of such land for a period not in excess of the lesser of (1) five years from the date of acquisition of such land or (2) the period of time between the date on which the land was acquired and the date its use began for the purpose for which it was acquired: *Provided*, That where all or any portion of the cost of such land is not financed through borrowings, the amount of the grant shall be computed on the basis of the aggregate amount of reasonable interest charges that the Secretary determines would have been required.

"(c) No grant shall be made under this section unless the Secretary determines that the land will be utilized for a public purpose within a reasonable period of time and that such utilization will contribute to economy, efficiency, and the comprehensively planned development of the area. The Secretary shall in all cases require that land acquired with the assistance of a grant under this section be utilized for a public purpose within five years after the date on which a contract to make such grant is entered into, unless the Secretary (1) determines that due to unusual circumstances a longer period of time is necessary and in the public interest, and (2) reports such determination promptly to the Committees on Banking and Currency of the Senate and House of Representatives.

Report to congressional committees.

"(d) No land acquired with assistance under this section shall, without approval of the Secretary, be diverted from the purpose originally approved. The Secretary shall approve no such diversion unless he finds that the diversion is in accord with the then applicable comprehensive plan for the area. In cases of a diversion of land to other than a public purpose, the Secretary may require repayment of the grant, or substitution of land of approximately equal fair market value, whichever he deems appropriate. An interim use of the land for a public or private purpose in accordance with standards prescribed by the Secretary, or approved by him, shall not constitute a diversion within the meaning of this subsection.

"(e) Notwithstanding any other provision of law, no project for which land is acquired with assistance under this section shall, solely as a result of such advance acquisition, be considered ineligible for the purpose of any other Federal loan or grant program, and the amount of the purchase price paid for the land by the recipient of a grant under this section may be considered an eligible cost for the purpose of such other Federal loan or grant program."

WATER AND SEWER FACILITIES PROGRAM

SEC. 604. (a) Section 702(c) of the Housing and Urban Development Act of 1965 is amended by striking out "July 1, 1968" and inserting in lieu thereof "October 1, 1969". 79 Stat. 490. 42 USC 3102.

(b) Section 702(b) of such Act is amended—

(1) by striking out "a basic public sewer facility" and inserting in lieu thereof "a basic public water or sewer facility"; and

(2) by striking out "a public or other adequate sewer facility" and inserting in lieu thereof "a public or other adequate water or sewer facility".

(c) Section 702 of such Act is amended by adding at the end thereof a new subsection as follows:

"(d) In the administration of this section the Secretary shall require that, to the greatest extent practicable, new job opportunities be provided for unemployed or underemployed persons in connection with projects the financing of which is assisted under this section."

AUTHORIZATIONS FOR THE WATER AND SEWER FACILITIES, NEIGHBORHOOD FACILITIES, AND ADVANCE ACQUISITION OF LAND PROGRAMS

SEC. 605. (a) Section 708(b) of the Housing and Urban Development Act of 1965 is amended by striking out "July 1, 1969" and inserting in lieu thereof "July 1, 1970". 42 USC 3108.

(b) Section 708(a) of such Act is amended—

(1) by striking out "$200,000,000 for grants under section 702" and inserting in lieu thereof "$200,000,000 (or $350,000,000 in the case of the fiscal year commencing July 1, 1968) for grants under sections 702"; and

(2) by adding at the end thereof the following new sentence: "In addition, there is authorized to be appropriated for grants under section 702 not to exceed $115,000,000 for the fiscal year commencing July 1, 1969."

OPEN-SPACE LAND PROGRAM

SEC. 606. (a) Section 702(b) of the Housing Act of 1961 is amended to read as follows: 75 Stat. 184. 42 USC 1500a.

"(b) There are authorized to be appropriated, for the purpose of making grants under this title, not to exceed $310,000,000 prior to July 1, 1969, and not to exceed $460,000,000 prior to July 1, 1970. Any amounts appropriated under this section shall remain available until expended."

(b) Section 708(b) of such Act is amended by striking out "$50,000" and inserting in lieu thereof "$125,000". 75 Stat. 185; 79 Stat. 495, 497.

AUTHORIZATION TO MAKE FEASIBILITY STUDIES IN THE PUBLIC WORKS PLANNING ADVANCES PROGRAM 80 Stat. 1280. 42 USC 1500d.

SEC. 607. Section 702(a) of the Housing Act of 1954 is amended by inserting after "to aid in financing the cost of" the following: "feasibility studies,". 69 Stat. 641. 40 USC 462.

TITLE VII—URBAN MASS TRANSPORTATION

GRANT AUTHORIZATIONS

SEC. 701. (a) Section 4(b) of the Urban Mass Transportation Act of 1964 is amended (1) by striking out the word "and" where it first appears in the first sentence, and (2) by inserting before the period at the end of the first sentence "; and $190,000,000 for fiscal year 1970". 78 Stat. 304; 80 Stat. 715. 49 USC 1603.

79 Stat. 475; 80 Stat. 717. 49 USC 1605.

(b) Section 6(c) of such Act is amended (1) by striking out "$50,000,000" and inserting in lieu thereof "$56,000,000", and (2) by inserting at the end thereof the following: "On or after July 1, 1969, the Secretary may make available to finance projects under this section such additional sums out of the grant authorization provided in section 4(b) as he deems appropriate."

DEFINITION OF MASS TRANSPORTATION

78 Stat. 306; 79 Stat. 507; 80 Stat. 715. 49 USC 1608.

SEC. 702. Section 12(c)(5) of the Urban Mass Transportation Act of 1964 is amended to read as follows:

"(5) the term 'mass transportation' means transportation by bus, rail, or other conveyance, either publicly or privately owned, which provides to the public general or special service (but not including school buses or charter or sightseeing service) on a regular and continuing basis."

EXTENSION OF EMERGENCY PROGRAM UNDER THE URBAN MASS TRANSPORTATION ACT

78 Stat. 304; 81 Stat. 526. 49 USC 1604.

SEC. 703. Section 5 of the Urban Mass Transportation Act of 1964 is amended by striking out "November 1, 1968" and inserting in lieu thereof "July 1, 1970".

NON-FEDERAL SHARE OF NET PROJECT COST

78 Stat. 304. 49 USC 1603.

SEC. 704. (a) Section 4(a) of the Urban Mass Transportation Act of 1964 is amended by striking out the last sentence and inserting in lieu thereof of following: "The remainder of the net project cost shall be provided, in cash, from sources other than Federal funds. Not more than 50 per centum of such remainder may be provided from other than public sources, and any public or private transit system funds shall be provided solely from undistributed cash surpluses, replacement or depreciation funds or reserves available in cash, or new capital; except that in cases of demonstrated fiscal inability of an applicant actively engaged in preparing and effectuating a program for a unified or officially coordinated urban transportation system as part of the comprehensively planned development of the urban area, such remainder may be provided from other than public sources. No refund or reduction of the remainder of the net project cost shall be made at any time unless there is at the same time a refund of a proportional amount of the Federal grant."

49 USC 1604.

(b) Section 5 of such Act is amended by striking out the last sentence and inserting in lieu thereof the following: "The remainder of the net project cost shall be provided, in cash, from sources other than Federal funds. Not more than 50 per centum of such remainder may be provided from other than public sources, and any public or private transit system funds shall be provided solely from undistributed cash surpluses, replacement or depreciation funds or reserves available in cash, or new capital; except that in cases of demonstrated fiscal inability of an applicant actively engaged in preparing and effectuating a program for a unified or officially coordinated urban transportation system as part of the comprehensively planned development of the urban area, such remainder may be provided from other than public sources. No refund or reduction of the remainder of the net project cost shall be made at any time unless there is at the same time a refund of a proportional amount of the Federal grant."

TITLE VIII—SECONDARY MORTGAGE MARKET

PURPOSES

SEC. 801. The purposes of this title include the partition of the Federal National Mortgage Association as heretofore existing into two separate and distinct corporations, each of which shall have continuity and corporate succession as a separated portion of the previously existing corporation. One of such corporations, to be known as Federal National Mortgage Association, will be a Government-sponsored private corporation, will retain the assets and liabilities of the previously existing corporation accounted for under section 304 of the Federal National Mortgage Association Charter Act, and will continue to operate the secondary market operations authorized by such section 304. The other, to be known as Government National Mortgage Association, will remain in the Government, will retain the assets and liabilities of the previously existing corporation accounted for under sections 305 and 306 of such Act, and will continue to operate the special assistance functions and management and liquidating functions authorized by such sections 305 and 306.

Federal National Mortgage Association.
68 Stat. 615.
12 USC 1719.
Government National Mortgage Association.
12 USC 1720, 1721.

AMENDMENTS TO THE FEDERAL NATIONAL MORTGAGE ASSOCIATION CHARTER ACT

SEC. 802. (a) The heading of title III of the National Housing Act is amended by striking out "FEDERAL NATIONAL MORTGAGE ASSOCIATION" and inserting in lieu thereof "NATIONAL MORTGAGE ASSOCIATIONS".

(b) Section 301 of such Act is amended— 68 Stat. 612. 12 USC 1716.

(1) by striking out "in the Federal Government a";

(2) by striking out "facility for" and inserting in lieu thereof "facilities for";

(3) by striking out "of such facility" and inserting in lieu thereof "thereof";

(4) by striking out "facility to" and inserting in lieu thereof "facilities to"; and

(5) by striking out "the existing mortgage portfolio of the Federal National Mortgage Association" and inserting in lieu thereof "federally owned mortgage portfolios".

(c) Section 302(a) of such Act is amended— 12 USC 1717.

(1) by inserting "(1)" immediately following "(a)";

(2) by striking out "(hereinafter referred to as the 'Association')"; and

(3) by adding at the end thereof the following new paragraph:

"(2) On the effective date established pursuant to section 808 of the Housing and Urban Development Act of 1968, the body corporate described in the foregoing paragraph shall cease to exist in that form and is hereby partitioned into two separate and distinct bodies corporate, each of which shall have continuity and corporate succession as a separated portion of the previously existing body corporate, as follows:

"(A) One of such separated portions shall be a body corporate without capital stock to be known as Government National Mortgage Association (hereinater referred to as the 'Association'), which shall be in the Department of Housing and Urban Development and which shall retain the assets and liabilities acquired and incurred under sections 305 and 306 prior to such effective date, including any and all liabilities incurred pursuant to section 302(c). The Association shall have succession until dissolved by Act of Congress. It shall maintain its principal office in the District of Columbia and shall be deemed, for purposes of venue in civil actions, to be a resident thereof. Agencies or 12 USC 1717.

offices may be established by the Association in such other place or places as it may deem necessary or appropriate in the conduct of its business.

"(B) The other such separated portion shall be a body corporate to be known as Federal National Mortgage Association (hereinafter referred to as the 'corporation'), which shall retain the assets and liabilities acquired and incurred under sections 303 and 304 prior to such effective date. The corporation shall have succession until dissolved by Act of Congress. It shall maintain its principal office in the District of Columbia and shall be deemed, for purposes of venue in civil actions, to be a resident thereof."

68 Stat. 613.
12 USC 1718, 1719.

12 USC 1717.

(d) Section 302(b) of such Act is amended—

(1) by striking out "the Association is authorized" and inserting in lieu thereof "each of the bodies corporate named in subsection (a)(2) is authorized";

(2) by striking out "lend (under section 304) on the security of,";

(3) by inserting immediately before the colon in the first sentence "; and the corporation is authorized to lend on the security of any such mortgages and to purchase, sell, or otherwise deal in any securities guaranteed by the Association under section 306(g)"; and

(4) by striking out "no mortgage may be purchased" and inserting in lieu thereof "the Association may not purchase any mortgage".

78 Stat. 800.

(e) Section 302(c)(1) of such Act is amended by striking out ", consistent with section 307,".

(f) Section 302(c)(2)(C) of such Act is amended to read as follows:

"(C) The Department of Housing and Urban Development."

(g) Section 302(c)(2) of such Act is amended by striking out "incurred by the Federal National Mortgage" and inserting in lieu thereof "incurred by the".

(h) The heading of section 303 of such Act is amended to read as follows: "CAPITALIZATION—FEDERAL NATIONAL MORTGAGE ASSOCIATION".

68 Stat. 613.
12 USC 1718.

(i) Section 303(a) of such Act is amended—

(1) by striking out "nonvoting common stock" and inserting in lieu thereof "common stock, without par value, which shall be vested with all voting rights, each share being entitled to one vote with rights of cumulative voting at all elections of directors";

(2) by striking out "nonvoting preferred stock" and inserting in lieu thereof "nonvoting preferred stock, with a par value of $100 per share,";

(3) by striking out the second and third sentences thereof and inserting in lieu thereof "The free transferability of the common stock at all times to any person, firm, corporation, or other entity shall not be restricted except that, as to the corporation, it shall be transferable only on the books of the corporation.";

(4) by striking out "of the capital surplus and the general surplus accounts";

(5) by striking out "retire" and inserting in lieu thereof "retire, at par,"; and

(6) by striking out "the Association shall deem feasible" and inserting in lieu thereof "possible subsequent to the effective date established pursuant to section 808 of the Housing and Urban Development Act of 1968".

(j) Section 303(b) of such Act is amended—

(1) by striking out "for its services" and inserting in lieu thereof ", which may be regarded as elements of pricing,"; and

(2) by striking out the last sentence.

(k) Section 303(c) of such Act is amended— 68 Stat. 614.

(1) by striking out "(only in denominations of $100 or multiples thereof)"; 12 USC 1718.

(2) by inserting immediately after the first sentence the following: "In addition to the shares of common stock issued under the foregoing sentence, the corporation may issue additional shares in return for appropriate payments into capital or capital and surplus. The corporation shall at all times require each servicer of its mortgages to own a minimum amount of common stock of the corporation, measured by its stated value. Such minimum amount shall not exceed 2 per centum, as determined from time to time by the corporation with the approval of the Secretary of Housing and Urban Development, of the aggregate outstanding principal balances of all mortgages of the corporation which have been purchased subsequent to the effective date established pursuant to section 808 of the Housing and Urban Development Act of 1968 and which are then serviced by such servicer for the corporation."; and

(3) by striking out "the general surplus account of the Association shall not be reduced through the payment of dividends applicable to such common stock which exceed in the aggregate 5 per centum of the par value of the outstanding common stock of the Association" and inserting in lieu thereof "the aggregate amount of cash dividends paid on account of any share of such stock shall not exceed any rate which may be determined from time to time by the Secretary of Housing and Urban Development to be a fair rate of return after consideration of the current earnings and capital condition of the corporation".

(l) Section 303(d) of such Act is amended by striking out "$225,000,000" and inserting in lieu thereof "$225,000,000; but no such stock may be issued subsequent to the effective date established pursuant to section 808 of the Housing and Urban Development Act of 1968".

(m) Section 303(f) of such Act is amended by striking out "contributions, and" inserting in lieu thereof "contributions, to purchase additional shares of such stock, and".

(n) Section 303(g) of such Act is repealed. Repeal.

(o) The heading of section 304 of such Act is amended to read as follows: "SECONDARY MARKET OPERATIONS—FEDERAL NATIONAL MORTGAGE ASSOCIATION". 68 Stat. 615. 12 USC 1718.

(p) Section 304(a)(1) of such Act is amended by striking out "and the Association shall not purchase any mortgage insured or guaranteed prior to the effective date of the Housing Act of 1954". 68 Stat. 615; 75 Stat. 176. 12 USC 1719.

(q) Section 304(b) of such Act is amended by striking out "earnings and in" and inserting in lieu thereof "earnings unless a greater ratio shall be fixed at any time or from time to time by the Secretary of Housing and Urban Development. In".

(r) Section 304(c) of such Act is amended by striking out "(1) all of the preferred stock of the Association held by the Secretary of the Treasury has been retired, or (2)".

(s) Sections 303 and 304 of such Act, as amended by the foregoing subsections of this section, are further amended—

(1) by striking out "Association" each place it appears and inserting in lieu thereof, in each such place, "corporation"; and

(2) by striking out "Association's" each place it appears and inserting in lieu thereof, in each such place, "corporation's".

(t) The heading of section 305 of such Act is amended to read as follows: "SPECIAL ASSISTANCE FUNCTIONS—GOVERNMENT NATIONAL MORTGAGE ASSOCIATION". 12 USC 1720.

68 Stat. 618.
12 USC 1721.

(u) The heading of section 306 of such Act is amended to read as follows: "MANAGEMENT AND LIQUIDATING FUNCTIONS—GOVERNMENT NATIONAL MORTGAGE ASSOCIATION".

Repeal.
12 USC 1722.

(v) Subsections (a) and (b) of section 307 of such Act are repealed.

(w) Section 307 of such Act is further amended—

(1) by striking out "SEC. 307.";

(2) by striking out "(c) All of the benefits and burdens incident to the administration of" and inserting in lieu thereof the following:

"SEC. 307. All of the benefits and burdens incident to the administration of"; and

(3) by striking out "board of directors of the Association" and inserting in lieu thereof "Secretary of Housing and Urban Development".

(x) The heading of section 308 of such Act is amended to read as follows: "MANAGEMENT".

12 USC 1723.

(y) Section 308 of such Act is amended—

(1) by inserting "(a)" immediately following "308";

(2) by striking out the first two sentences and inserting in lieu thereof "All the powers and duties of the Government National Mortgage Association shall be vested in the Secretary of Housing and Urban Development and the Association shall be administered under the direction of the Secretary.";

(3) by striking out "the board shall determine" and inserting in lieu thereof "the Secretary shall determine";

(4) by striking out "Association. The chairman of the board" and inserting in lieu thereof "Association, and shall have power to adopt, amend, and repeal bylaws governing the performance of the powers and duties granted to or imposed upon it by law. The Secretary";

(5) by striking out "by the board of directors," and inserting in lieu thereof "by the Secretary,";

(6) by striking out the last sentence; and

(7) by adding at the end thereof the following new subsection:

FNMA.
Board of Directors.
68 Stat. 620.
12 USC 1723.

"(b) The Federal National Mortgage Association shall have a board of directors which shall consist of fifteen persons, one-third of whom shall be appointed annually by the President of the United States, and the remainder of whom shall be elected annually by the common stockholders. The board shall at all times have as members appointed by the President at least one person from the homebuilding industry, at least one person from the mortgage lending industry, and at least one person from the real estate industry. Each member of the board of directors shall be appointed or elected for a term ending on the date of the next annual meeting of the stockholders, except that any such member may be removed from office by the President for good cause. Any elective seat on the board which becomes vacant after the annual election of the directors shall be filled by the board, but only for the unexpired portion of the term. Any appointive seat which becomes vacant shall be filled by appointment of the President, but only for the unexpired portion of the term. Within the limitations of law and regulation, the board shall determine the general policies which shall govern the operations of the corporation, and shall have power to adopt, amend, and repeal bylaws governing the performance of the powers and duties granted to or imposed upon it by law. The board of directors shall select and effect the appointment of qualified persons to fill the offices of president and vice president, and such other offices as may be provided for in the bylaws. Any member of the board who is a full-time officer or employee of the Federal Government shall not, as such member, receive compensation for his services."

(z) Section 309(a) of such Act is amended— 68 Stat. 620.
12 USC 1723a.

(1) by striking out "The Association" and inserting in lieu thereof "Each of the bodies corporate named in section 302(a)(2)";

(2) by striking out "by its board of directors, to adopt, amend, and repeal bylaws governing the performance of the powers and duties granted to or imposed upon it by law;";

(3) by striking out "conduct its business" and inserting in lieu thereof "conduct its business without regard to any qualification or similar statute";

(4) by striking out "the Association may deem" and inserting in lieu thereof "it may deem"; and

(5) by striking out "the purposes of the Association" and inserting in lieu thereof "its purposes".

(aa) Section 309(c) of such Act is amended—

(1) by striking out "(1)";

(2) by striking out "The Association" and inserting in lieu thereof "(1) The Association";

(3) by striking out ", and (2) the Association shall, with respect to its secondary market operations under section 304 after the cutoff date referred to in section 303(d) of this title, pay annually to the Secretary of the Treasury, for covering into miscellaneous receipts, an amount equivalent to the amount of Federal income taxes for which it would be subject if it were not exempt from such taxes with respect to such secondary market operations"; and

(4) by adding at the end thereof the following new paragraph: FNMA. Exemption from taxation.

"(2) The corporation, including its franchise, capital, reserves, surplus, mortgages or other security holdings, and income, shall be exempt from all taxation now or hereafter imposed by any State, territory, possession, Commonwealth, or dependency of the United States, or by the District of Columbia, or by any county, municipality, or local taxing authority, except that any real property of the corporation shall be subject to State, territorial, county, municipal, or local taxation to the same extent as other real property is taxed."

(bb) Section 309(d) of such Act is amended—

(1) by inserting "(1)" immediately following "(d)";

(2) by striking out "Chairman of the Board" and inserting in lieu thereof "Secretary of Housing and Urban Development";

(3) by striking out "agents," and inserting in lieu thereof "agents of the Association,"; and

(4) by adding at the end thereof the following new paragraph: Officers and employees.

"(2) The board of directors of the corporation shall have the power to select and appoint or employ such officers, attorneys, employees, and agents, to vest them with such powers and duties, and to fix and to cause the corporation to pay such compensation to them for their services, as it may determine; and any such action shall be without regard to the Federal civil service and classification laws. Appointments, promotions, and separations so made shall be based on merit and efficiency, and no political tests or qualifications shall be permitted or given consideration. Each officer and employee of the corporation who is employed by the corporation prior to the termination of the transitional period referred to in section 810(b) of the Housing and Urban Development Act of 1968 and who on the day previous to the beginning of such employment will have been subject to the civil service retirement law (subch. III of ch. 83 of title 5, United States Code) shall, so long as his employment by the corporation continues without a break in continuity of service, continue to be subject to such law; and

Post, p. 546.

80 Stat. 564.
5 USC 8331-8348.

for the purpose of such law his employment by the corporation without a break in continuity of service shall be deemed to be employment by the Government of the United States. The corporation shall contribute to the Civil Service Retirement and Disability Fund a sum as provided by section 8334(a) of title 5, United States Code, except that such sum shall be determined by applying to the total basic pay (as defined in 5 U.S.C. 8331(3) and except as hereinafter provided) paid to the employees of the corporation who are covered by the civil service retirement law, the per centum rate determined annually by the United States Civil Service Commission to be the excess of the total normal cost per centum rate of the civil service retirement system over the employee deduction rate specified in section 8334(a) of title 5, United States Code. The corporation shall also pay into the Civil Service Retirement and Disability Fund such portion of the cost of administration of the fund as is determined by the United States Civil Service Commission to be attributable to its employees. Notwithstanding the foregoing provisions, there shall not be considered for the purposes of the civil service retirement law that portion of the basic pay in any one year of any officer or employee of the corporation which exceeds the basic pay provided for in section 5312 of title 5, United States Code, on the last day of such year. Except as provided in this subsection, the corporation shall not be subject to the provisions of title 5, United States Code."

80 Stat. 569.
80 Stat. 564.
80 Stat. 460.
80 Stat. 378.

(cc) Section 309(e) of such Act is amended—

68 Stat. 620.
12 USC 1723a.

(1) by striking out "body corporate created by section 302" and inserting in lieu thereof "bodies corporate named in section 302(a)(2)";

(2) by inserting ", 'Government National Mortgage Association'," immediately following " 'Federal National Mortgage Association' "; and

(3) by striking out the second sentence and inserting in lieu thereof the following: "Violations of the foregoing sentence may be enjoined by any court of general jurisdiction at the suit of the proper body corporate. In any such suit, the plaintiff may recover any actual damages flowing from such violation, and, in addition, shall be entitled to punitive damages (regardless of the existence or nonexistence of actual damages) of not exceeding $100 for each day during which such violation is committed or repeated."

(dd) Section 309(g) of such Act is amended to read as follows:

Federal Reserve banks, custodians.

"(g) The Federal Reserve banks are authorized and directed to act as depositaries, custodians, and fiscal agents for each of the bodies corporate named in section 302(a)(2), for its own account or as fiduciary, and such banks shall be reimbursed for such services in such manner as may be agreed upon; and each of such bodies corporate may itself act in such capacities, for its own account or as fiduciary, and for the account of others."

Ante, p. 536.

(ee) Section 309 of such Act is amended by adding at the end thereof the following new subsection:

"(h) The Secretary of Housing and Urban Development shall have general regulatory power over the Federal National Mortgage Association and shall make such rules and regulations as shall be necessary and proper to insure that the purposes of this title are accomplished. No stock, obligation, security, or other instrument shall be issued by the corporation without the prior approval of the Secretary. The Secretary may require that a reasonable portion of the corporation's mortgage purchases be related to the national goal of providing adequate housing for low and moderate income families, but with reasonable economic return to the corporation. The Secretary may examine and audit the books and financial transactions of the corporation, and

he may require the corporation to make such reports on its activities as he deems advisable."

(ff) Section 311 of such Act is amended— 68 Stat. 622.
12 USC 1723c.

(1) by striking out "the Association" and inserting in lieu thereof "either of the bodies corporate named in section 302(a)(2)"; and

(2) by adding at the end thereof the following: "All stock, obligations, securities, participations, or other instruments issued pursuant to this title shall, to the same extent as securities which are direct obligations of or obligations guaranteed as to principal or interest by the United States, be deemed to be exempt securities within the meaning of laws administered by the Securities and Exchange Commission; but all such issuances shall be made only with the approval of the Secretary of Housing and Urban Development."

PARTICIPATIONS

SEC. 803. Section 302(c)(5) of the National Housing Act is amended by inserting at the end thereof the following: "In the event that the insufficiency required by the trustee is on account of principal maturities of outstanding beneficial interests or participations authorized to be issued pursuant to paragraph (4) of this subsection, or pursuant hereto, the trustee is authorized to elect to issue additional beneficial interests or participations for refinancing purposes in lieu of requiring any trustor or trustors to make payments to the trustee from appropriated funds or other sources. Each such issue of beneficial interests or participations shall be in an amount determined by the trustee but not in excess of the aggregate amount which the trustee would otherwise require the trustor or trustors to pay from appropriated funds or other sources, and may be issued without regard to the provisions of paragraph (4) of this subsection. All refinancing issues of beneficial interests or participations shall be deemed to have been issued pursuant to the authority contained in the appropriation Act or Acts under which the beneficial interests or participations were originally issued." 78 Stat. 800; 80 Stat. 164. 12 USC 1717.

MORTGAGE-BACKED SECURITIES

SEC. 804. (a) Section 304 of the National Housing Act is amended by adding at the end thereof the following new subsection: 68 Stat. 615. 12 USC 1719.

"(d) To provide a greater degree of liquidity to the mortgage investment market and an additional means of financing its operations under this section, the corporation is authorized to set aside any mortgages held by it under this section, and, upon approval of the Secretary of the Treasury, to issue and sell securities based upon the mortgages so set aside. Securities issued under this subsection may be in the form of debt obligations or trust certificates of beneficial interest, or both. Securities issued under this subsection shall have such maturities and bear such rate or rates of interest as may be determined by the corporation with the approval of the Secretary of the Treasury. Securities issued by the corporation under this subsection shall, to the same extent as securities which are direct obligations of or obligations guaranteed as to principal and interest by the United States, be deemed to be exempt securities within the meaning of laws administered by the Securities and Exchange Commission. Mortgages set aside pursuant to this subsection shall at all times be adequate to enable the corporation to make timely principal and interest payments on the securities issued and sold pursuant to this subsection."

(b) Section 306 of such Act is amended by adding at the end thereof the following new subsection: 12 USC 1721.

"(g) The Association is authorized, upon such terms and conditions as it may deem appropriate, to guarantee the timely payment of principal of and interest on such trust certificates or other securities as shall (1) be issued by the corporation under section 304(d), or by any other issuer approved for the purposes of this subsection by the Association, and (2) be based on and backed by a trust or pool composed of mortgages which are insured under the National Housing Act or title V of the Housing Act of 1949, or which are insured or guaranteed under the Servicemen's Readjustment Act of 1944 or chapter 37 of title 38, United States Code. The Association shall collect from the issuer a reasonable fee for any guaranty under this subsection and shall make such charges as it may determine to be reasonable for the analysis of any trust or other security arrangement proposed by the issuer. In the event the issuer is unable to make any payment of principal of or interest on any security guaranteed under this subsection, the Association shall make such payment as and when due in cash, and thereupon shall be subrogated fully to the rights satisfied by such payment. Any Federal, State, or other law to the contrary notwithstanding, the Association is hereby empowered, in connection with any guaranty under this subsection, whether before or after any default, to provide by contract with the issuer for the extinguishment, upon default by the issuer, of any redemption, equitable, legal, or other right, title, or interest of the issuer in any mortgage or mortgages constituting the trust or pool against which the guaranteed securities are issued; and with respect to any issue of guaranteed securities, in the event of default and pursuant otherwise to the terms of the contract, the mortgages that constitute such trust or pool shall become the absolute property of the Association subject only to the unsatisfied rights of the holders of the securities based on and backed by such trust or pool. The full faith and credit of the United States is pledged to the payment of all amounts which may be required to be paid under any guaranty under this subsection. There shall be excluded from the total amounts set forth in subsection (c) the amounts of any mortgages acquired by the Association as a result of its operations under this subsection."

(c) Section 5136 of the Revised Statutes (12 U.S.C. 24) is amended by adding at the end thereof the following:

"Ninth. To issue and sell securities which are guaranteed pursuant to section 306(g) of the National Housing Act."

(d) The first proviso of section 21(a)(1) of the Banking Act of 1933 (12 U.S.C. 378(a)(1)) is amended by inserting ", or issuing securities," immediately following "investment securities".

(e) Section 5(c) of the Home Owners' Loan Act of 1933 (12 U.S.C. 1464(c)) is amended by adding at the end thereof a new paragraph as follows:

"Any such association may issue and sell securities which are guaranteed pursuant to section 306(g) of the National Housing Act."

SUBORDINATED AND CONVERTIBLE OBLIGATIONS

SEC. 805. Section 304 of the National Housing Act is amended by adding thereto (after subsection (d) as added by section 804 of this Act) the following new subsection:

"(e) For the purposes of this section, the corporation is authorized to issue, upon the approval of the Secretary of the Treasury, obligations which are subordinated to any or all other obligations of the corporation, including subsequent obligations. The obligations issued under this subsection shall have such maturities and bear such rate or rates of interest as may be determined by the corporation with the approval of the Secretary of the Treasury and may be made redeem-

able at the option of the corporation before maturity in such manner as may be stipulated in such obligations. Any of such obligations may be made convertible into shares of common stock in such manner, at such price or prices, and at such time or times as may be stipulated therein. The total principal amount of such subordinated obligations which may be outstanding at any one time shall not exceed two times the sum of (1) the capital of the corporation represented by its outstanding common stock and (2) its surplus and undistributed earnings at such time. The outstanding total principal amount of such obligations, which are entirely subordinated to the obligations of the corporation issued or to be issued under subsection (b), shall be deemed to be capital of the corporation for the purpose of determining the aggregate amount of obligations issued under subsection (b) which may be outstanding at any one time. Obligations issued by the corporation under this subsection shall, to the same extent as securities which are direct obligations of or obligations guaranteed as to principal or interest by the United States, be deemed to be exempt securities within the meaning of laws administered by the Securities and Exchange Commission. The corporation shall insert appropriate language in all of its obligations issued under this subsection clearly indicating that such obligations, together with the interest thereon, are not guaranteed by the United States and do not constitute a debt or obligation of the United States or of any agency or instrumentality thereof other than the corporation. The corporation is authorized to purchase in the open market any of its obligations outstanding under this subsection at any time and at any price."

SPECIAL ASSISTANCE AUTHORIZATION

SEC. 806. Section 305(c) of the National Housing Act is amended— 75 Stat. 175; 79 Stat. 493. 12 USC 1720.

(1) by striking out "and" after "July 1, 1967,"; and

(2) by striking out the period and inserting in lieu thereof ", and by $500,000,000 on July 1, 1969."

AMENDMENTS TO OTHER LAWS

SEC. 807. (a) Section 306(b) of the Housing Act of 1959 is amended by striking out "Federal National Mortgage Association pursuant" and inserting in lieu thereof "Government National Mortgage Association pursuant". 73 Stat. 670. 12 USC 1721 note.

(b) Section 312(d) of the Housing Act of 1964 is amended by striking out "Federal" and inserting in lieu thereof "Government". 78 Stat. 790; 79 Stat. 479. 42 USC 1452b.

(c) Section 5(b) of the Department of Housing and Urban Development Act is amended— 79 Stat. 669. 42 USC 3534.

(1) by striking out "The Federal" and inserting in lieu thereof "The Government"; and

(2) by striking out ", and the position of the President of said Association is hereby allocated among the positions referred to in section 7(c) hereof".

(d) Section 7(b) of the Department of Housing and Urban Development Act is repealed. Repeal. 42 USC 3535.

(e) Section 101 of the Government Corporation Control Act is amended by striking out "Federal National Mortgage Association" and inserting in lieu thereof "Government National Mortgage Association". 59 Stat. 597. 31 USC 846.

(f) Section 13(4)(F) of the Public Buildings Act of 1959 is amended by striking out "Federal" and inserting in lieu thereof "Government". 73 Stat. 482. 40 USC 612.

80 Stat. 167.
12 USC 1717 note.

(g) Section 6(b) of the Participation Sales Act of 1966 is amended by striking out "secondary market operations carried on by the Federal" and inserting in lieu thereof "the Government".

78 Stat. 800.

(h) Section 1820(e) of title 38, United States Code, is amended by striking out "Federal National" in three places and inserting in lieu thereof, in each such place, "Government National".

68 Stat. 609.

(i) Section 709 of title 18, United States Code, is amended by striking out "Federal National Mortgage Association" each place it appears and inserting in lieu thereof, in each such place, "Government National Mortgage Association".

12 USC 24.

(j) Section 5136 of the Revised Statutes is amended by inserting "or the Government National Mortgage Association" immediately following "Federal National Mortgage Association".

47 Stat. 733; 68 Stat. 622. 12 USC 1431.

(k) Section 11(h) of the Federal Home Loan Bank Act is amended by inserting "or the Government National Mortgage Association, in the stock of the Federal National Mortgage Association" immediately following "Federal National Mortgage Association".

(l) Section 16 of the Federal Home Loan Bank Act is amended by inserting "or the Government National Mortgage Association" immediately following "Federal National Mortgage Association".

48 Stat. 132. 12 USC 1464.

(m) Section 5(c) of the Home Owners' Loan Act of 1933 is amended by inserting "or the Government National Mortgage Association," immediately following "Federal National Mortgage Association" and by inserting "or the stock of the Federal National Mortgage Association" immediately after "any other agency of the United States".

73 Stat. 630; 81 Stat. 110. 12 USC 1757.

(n) Section 8(8)(E) of the Federal Credit Union Act is amended by inserting "or the Government National Mortgage Association" immediately following "Federal National Mortgage Association".

EFFECTIVE DATE

SEC. 808. The amendments made by this title shall be effective from and after a date, no more than one hundred and twenty days following the date of enactment of this Act, as established by the Secretary of Housing and Urban Development. Notice of the establishment of such effective date shall be published in the Federal Register at least thirty days prior thereto.

Publication in Federal Register.

SAVINGS PROVISIONS

SEC. 809. (a) No cause of action by or against the Federal National Mortgage Association existing prior to the effective date established pursuant to section 808 shall abate by reason of the enactment of this title. Any such cause of action may thereafter be asserted by or against the appropriate corporate body named in section 302(a)(2) of the National Housing Act.

Ante, p. 536.

(b) No suit, action, or other proceeding commenced by or against the Federal National Mortgage Association, or any officer thereof in his official capacity, prior to the effective date established pursuant to section 808 shall abate by reason of the enactment of this title. A court may at any time thereafter during the pendency of any such litigation, on its own motion or that of any party, order that the litigation may be maintained by or against the appropriate corporate body named in section 302(a)(2) of the National Housing Act or the appropriate corresponding officer thereof.

TRANSITIONAL PROVISIONS

SEC. 810. (a) On the effective date established pursuant to section 808 of this Act, each share of outstanding nonvoting common stock, with a par value of $100 per share, of the Federal National Mortgage

Association shall be changed into and shall become one share of voting common stock, without par value, of such corporation.

(b)(1) The provisions of section 308(b) of the National Housing Act (as added by section 802(y)(7) of this Act) shall be applicable only to the extent that its provisions do not conflict with this subsection. Ante, p. 539.

(2) For a transitional period after the effective date established pursuant to section 808 of this Act, the board of directors of the Federal National Mortgage Association shall consist of nine persons. For a term expiring on the date of the first annual meeting of the corporation's stockholders, all members of the board shall be appointed by the Secretary of Housing and Urban Development. For a term beginning on such date, seven members of the board shall be appointed by the Secretary, and two members shall be elected by the common stockholders. For subsequent terms beginning prior to the termination of the transitional period, five members shall be appointed by the Secretary, and four members shall be elected by the common stockholders. For each term beginning prior to the termination of the transitional period, the Secretary shall appoint as a member of the board the president of the corporation. During the transitional period, the president of the corporation shall be appointed by the President, by and with the advice and consent of the Senate, and may be removed from office by the President for good cause. FNMA. Board of Directors. Transitional period.

(3) The transitional period referred to in paragraph (2) shall come to an end at such time as the board of directors shall find, with the approval of the Secretary, that not less than one-third of the corporation's common stock is owned by persons or institutions in the mortgage lending, homebuilding, real estate, or related businesses; but in no event shall it end sooner than May 1, 1970, or later than May 1, 1973.

(c) From the effective date established pursuant to section 808 and until the retirement of the last of the outstanding shares of its preferred stock, the Federal National Mortgage Association shall be deemed to be a wholly owned corporation for the purposes of the Government Corporation Control Act. Notwithstanding the foregoing provisions of this paragraph, the financial transactions of the Federal National Mortgage Association shall continue to be subject to audit by the General Accounting Office for such period as there may be outstanding obligations of the Federal National Mortgage Association which are guaranteed as to principal or interest by the Government National Mortgage Association. 59 Stat. 597. 31 USC 841 note. GAO audit.

(d) Those persons who are the officers and employees of the Federal National Mortgage Association immediately prior to the effective date established pursuant to section 808 shall become the officers and employees of the Government National Mortgage Association on such date. The Federal National Mortgage Association and the Government National Mortgage Association shall provide by contract for the conditions and methods under which and by which the Federal National Mortgage Association during the transitional period may employ those individuals who are employees of the Government National Mortgage Association on such effective date; and may provide by contract for the operation by either of such corporations of any of the functions of the other. The Secretary of Housing and Urban Development shall make every reasonable effort to place in other comparable Federal positions any individuals who are career or career-conditional employees of the Government National Mortgage Association on such effective date and who are subsequently during the transitional period neither employed by the Federal National Mortgage Association nor retained by the Government National Mortgage Association.

TITLE IX—NATIONAL HOUSING PARTNERSHIPS

STATEMENT OF PURPOSE

SEC. 901. The Congress finds that the volume of housing being produced for families and individuals of low or moderate income must be increased to meet the national goal of a decent home and a suitable living environment for every American family, and declares that it is the policy of the United States to encourage the widest possible participation by private enterprise in the provision of housing for low or moderate income families. The Congress has therefore determined that one or more private organizations should be created to encourage maximum participation by private investors in programs and projects to provide low and moderate income housing.

CREATION OF CORPORATIONS

SEC. 902. (a) There is hereby authorized to be created a private corporation for profit (hereinafter in this title referred to as the "corporation"). The corporation will not be an agency or establishment of the United States Government. The corporation shall be subject to the provisions of this title and, to the extent consistent with this title, to the District of Columbia Business Corporation Act (D.C. Code, sec. 29–901 et seq.).

68 Stat. 179.

(b) Whenever the President finds it in the national interest to do so, he may cause the creation of an additional corporation or additional corporations to carry out the purposes of this title. All the provisions of this title shall thereupon become applicable to each such corporation, and to the limited partnership formed by it pursuant to section 907.

(c) Nothing in this title shall be construed to preclude private persons from creating other corporations and organizing other partnerships, joint ventures, or associations for the purposes set forth in this title as the purposes of the corporation and the partnership described in section 907.

PROCESS OF ORGANIZATION

SEC. 903. (a) The President of the United States shall appoint, by and with the advice and consent of the Senate, incorporators of the corporation, one of whom shall be designated by the President to serve as chairman. The incorporators shall serve as the initial board of directors until the first annual meeting of stockholders or until their successors are elected and have qualified.

(b) The incorporators shall take whatever actions are necessary or appropriate to establish the corporation, including the filing of articles of incorporation as approved by the President.

(c) The incorporators shall also arrange for an initial offering of shares of stock in the corporation and of interests in the partnership described in section 907 of this title. If the incorporators deem it advisable in order to carry out the purposes of this title, the initial offering may be made upon terms which require the purchase of other securities of the corporation or of interests in such partnership.

DIRECTORS

SEC. 904. The corporation shall have a board of directors (hereinafter in this section referred to as the "board"), consisting of fifteen members. Three members of the board shall be appointed by the President of the United States, by and with the advice and consent of the Senate, effective on the date on which the other members are

elected, and for terms of three years or until their successors have been appointed and have qualified, except that the first three members of the board so appointed shall continue in office for terms of one, two, and three years, respectively, and any member so appointed to fill a vacancy shall be appointed only for the unexpired term of the director whom he succeeds. Twelve members of the board shall be elected by the stockholders.

FINANCING THE CORPORATION

SEC. 905. The corporation shall have the power to create and issue the number of shares stated in its articles of incorporation. Such shares may be divided into one or more classes, any or all of which classes may consist of shares with par value or shares without par value, with such designations, preferences, voting powers, and special or relative rights and such limitations, restrictions, or qualifications thereof as shall be stated in the articles of incorporation. The articles of incorporation may limit or deny the voting power of the shares of any class.

PURPOSES AND POWERS OF THE CORPORATION

SEC. 906. (a) In order to achieve the objectives and carry out the purposes of this title, the corporation is authorized to—

(1) plan, initiate, and carry out, pursuant to Federal programs or otherwise, the building or rehabilitation of housing and related facilities primarily for the benefit of families and individuals of low or moderate income;

(2) buy, own, manage, lease, or otherwise acquire or dispose of property in connection with the developments, projects, or undertakings referred to in paragraph (1); and

(3) provide such funds as may be necessary to accomplish the developments, projects, or undertakings referred to in paragraph (1).

(b) Included in the activities authorized to the corporation for the accomplishment of the purposes indicated in subsection (a) of this section are, among others not specifically named—

(1) to enter into partnerships, limited partnerships, joint ventures, and other associations with individuals, corporations, and private and governmental agencies, organizations, and institutions;

(2) to act as manager or general partner of any such partnership, venture, or association;

(3) to conduct or contract for research and studies related to the development, demonstration, and evaluation of improved techniques and methods of constructing, rehabilitating, and maintaining housing; Research contracts.

(4) to provide technical assistance to nonprofit corporations, limited dividend corporations, and others with respect to the planning, financing, construction, rehabilitation, maintenance, and management of housing for low and moderate income families and individuals;

(5) to make loans or grants including grants of interests in housing and related facilities, to nonprofit corporations, limited dividend corporations, and others, in carrying out its activities under subsection (a) of this section; and Loans or grants.

(6) to hire or accept the voluntary services of consultants, experts, advisory boards, and panels to aid the corporation in carrying out the purposes of this title.

(c) To carry out the foregoing purposes and engage in the foregoing activities, the corporation shall have the usual powers conferred

upon a stock corporation by the District of Columbia Business Corporation Act.

(d) Nothing in this title shall have the effect of waiving or otherwise affecting the applicability of the provisions of the Davis-Bacon Act (40 U.S.C. 267a—276a–5), or any other law requiring compliance with labor standards, in the case of any construction to which such provisions would otherwise apply.

49 Stat. 1011; 78 Stat. 238.

NATIONAL HOUSING PARTNERSHIP

SEC. 907. (a) The corporation is authorized to arrange for the formation, as a separate organization, of a limited partnership (hereinafter in this title referred to as the "partnership") under the District of Columbia Uniform Limited Partnership Act (D.C. Code, sec. 41–401 et seq.) for the purpose of engaging in any of the activities authorized for the corporation under section 906 of this title, and to enter into a partnership agreement governing the affairs of such limited partnership.

76 Stat. 655.

(b) The partnership shall be subject to the provisions, to the extent consistent with this title, of (1) the District of Columbia Uniform Limited Partnership Act and (2) those provisions of the District of Columbia Uniform Partnership Act (D.C. Code, sec. 41–301 et seq.) made applicable by section 6(2) of that Act (D.C. Code, sec. 41–305(2)). Notwithstanding any inconsistency between the provisions of such Acts, or of any other law, and the provisions of this section, the partnership organized pursuant to this section shall be deemed to have the legal status of a limited partnership.

76 Stat. 636.

(c) The partnership is authorized to enter into partnerships, limited partnerships, or joint ventures organized under applicable State or local law for the purpose of engaging in low and moderate income housing developments, projects, or undertakings in particular localities.

(d) The corporation shall be the general partner in the partnership. The capital of the partnership and the contributions of the partners shall be in such amounts and at such times as are set forth in or pursuant to the partnership agreement.

(e) The partnership agreement shall include provisions designed to assure that (1) the partnership shall participate in low and moderate income housing developments, projects, or undertakings in a manner designed to encourage the participation therein of local interests, and (2) in any such development, project, or undertaking the partnership shall not subscribe to more than 25 per centum (including equity investments made in services or property) of the aggregate initial equity investment unless, in the judgment of the corporation as general partner, the balance of the required equity investment is not readily obtainable from other responsible investors residing or doing business in the local community.

(f) The partnership agreement may without limitation (1) permit each of the stockholders of the corporation to become a member of the partnership as a limited partner, (2) authorize the inclusion of other limited partners in addition to the stockholders of the corporation, (3) provide that the assignee of the partnership interest of a limited partner of the partnership who is also a stockholder of the corporation may not become a substituted limited partner unless he also acquires the assignor's stock of the corporation, and (4) include provisions requiring that the corporation as a general partner approve the substitution or addition of a member of the partnership.

(g) A corporation which is a limited partner in the partnership shall not become liable as a general partner by reason of the fact that

(1) such corporation is a holder of shares of voting stock of the corporation constituting not more than 5 per centum of the total number of outstanding shares of such stock and exercises any of the rights (including voting rights) of a holder of such shares, and/or (2) a person who is an officer or director of such corporation (or of another corporation which controls or is subject to the control of, or is under common control with, such corporation) is a director of the corporation and performs the duties of that office. The interest of a limited partner in the partnership shall not be treated as a stock interest in the corporation, notwithstanding that such interest of a limited partner may be proportionate to his stock interest in the corporation.

(h) The certificate of the partnership and any amendment thereof required by the District of Columbia Uniform Limited Partnership Act shall be executed and acknowledged by the corporation as member and by each other member of the partnership or his attorney-in-fact duly authorized by power of attorney in writing. The corporation may execute and acknowledge the certificate and any amendment thereof as attorney-in-fact for any member, member to be substituted or added, or assigning member, by whom the certificate or amendment is required to be executed and acknowledged and who has appointed the corporation as such attorney.

76 Stat. 655. D.C. Code 41-401.

REPORT TO CONGRESS AND RECORDS

SEC. 908. (a) The corporation shall submit an annual report to the President for transmittal to the Congress within six months after the end of its fiscal year. The report shall include a comprehensive and detailed report of the operations, activities, and financial condition of the corporation and the partnership under this title.

(b) The accounts of the corporation and of the partnership shall be audited annually in accordance with generally accepted auditing standards by independent certified public accountants or independent licensed public accountants certified or licensed by a regulatory authority of a State or other political subdivision of the United States.

ANTITRUST LAWS

SEC. 909. Nothing contained herein shall affect the applicability of the Federal antitrust laws to the activities of the corporation and the partnership created under this title and of the persons participating therein or in partnerships, limited partnerships, or joint ventures with either of them.

38 Stat. 730. 15 USC 12.

RIGHT TO REPEAL, ALTER, OR AMEND

SEC. 910. The right to repeal, alter, or amend this title at any time is expressly reserved.

AMENDMENT TO BANKING LAWS

SEC. 911. Paragraph "Seventh" of section 5136 of the Revised Statutes (12 U.S.C. 24) is amended by adding at the end thereof the following: "Notwithstanding any other provision in this paragraph, the association may purchase for its own account shares of stock issued by a corporation authorized to be created pursuant to title IX of the Housing and Urban Development Act of 1968, and may make investments in a partnership, limited partnership, or joint venture formed pursuant to section 907(a) or 907(c) of that Act."

Ante, p. 547.

TITLE X—RURAL HOUSING

HOUSING FOR LOW AND MODERATE INCOME PERSONS AND FAMILIES

63 Stat. 432. 42 USC 1471-1490.

SEC. 1001. Title V of the Housing Act of 1949 is amended by adding at the end thereof the following new section:

"LOANS TO PROVIDE OCCUPANT-OWNED, RENTAL, AND COOPERATIVE HOUSING FOR LOW AND MODERATE INCOME PERSONS AND FAMILIES

42 USC 1472, 1487, 1485.

"SEC. 521. (a) Notwithstanding the provisions of sections 502, 517 (a) and 515, loans to persons of low or moderate income under section 502 or 517(a)(1), and loans under section 515 to provide rental or cooperative housing and related facilities for persons and families of low or moderate income or elderly persons and elderly families, shall bear interest at a rate prescribed by the Secretary at not less than a rate determined annually by the Secretary of the Treasury taking into consideration the current average market yield on outstanding marketable obligations of the United States with remaining periods to maturity comparable to the average maturities of such loans, adjusted to the nearest one-eighth of 1 per centum, less not to exceed the difference between the adjusted rate determined by the Secretary of the Treasury and 1 per centum per annum: *Provided*, That such a loan may be made only when the Secretary determines that the needs of the applicant for necessary housing cannot be met with financial assistance from other sources including assistance under section 235 or 236 of the National Housing Act: *Provided further*, That interest on loans under section 502 or 517(a) to victims of natural disaster shall not exceed the rate which would be applicable to such loans under section 502 without regard to this section.

Ante, pp. 477, 498.

"(b) Housing and related facilities provided with loans described in subsection (a) shall be located in rural areas; and applicants eligible for such loans under section 502 or 517(a)(1), or for occupancy of housing provided with such loans under section 515, shall include otherwise qualified nonrural residents who will become rural residents.

63 Stat. 433. 42 USC 1472, 1487, 1485.

"(c) There shall be reimbursed to the Rural Housing Insurance Fund by annual appropriations the amounts by which nonprincipal payments made from the fund during each fiscal year to the holders of insured loans described in subsection (a) exceed interest due from the borrowers during each year; and the Secretary from time to time may issue notes to the Secretary of the Treasury under section 517(h) to obtain amounts equal to such unreimbursed excess payments, pending the annual reimbursement by appropriation."

HOUSING FOR RURAL TRAINEES

63 Stat. 432. 42 USC 1471-1490.

SEC. 1002. Title V of the Housing Act of 1949 is amended by adding after section 521 (as added by section 1001 of this Act) the following new section:

"HOUSING FOR RURAL TRAINEES

"SEC. 522. (a) Upon the application of any State or political subdivision thereof, or any public or private nonprofit organization, the Secretary is authorized, after consultation with the Secretary of Labor, the Secretary of Health, Education, and Welfare, the Secretary of Housing and Urban Development, and the Director of the Office of Economic Opportunity, and after the Secretary determines that the housing and related facilities cannot reasonably be provided in any other way, to provide financial and technical assistance for

the establishment, in rural areas, of housing and related facilities for trainees and their families who are residents of a rural area and have a rural background, while such trainees are enrolled and participating in training courses designed to improve their employment capability. The selection of training sites and location of housing shall be made with due regard to the economic viability of the area, and only after consideration of a labor area survey and full coordination among all Government agencies having primary responsibility for administering related programs.

"(b) Housing and related facilities assisted under this section shall be safe and sanitary, constructed in the most economical manner, and of modest design, giving due consideration to the purposes to be served and the needs of the occupants, and may, in the discretion of the Secretary, include mobile family quarters. Design and location shall be such as to facilitate, as feasible, the use of such housing and related facilities for other purposes when no longer needed for the primary purpose.

"(c) The applicant shall contribute the necessary land, or funds to acquire such land, from its own resources, including land acquired by donation or from funds repayable under subsection (e) or borrowed from other sources.

"(d) No financial assistance shall be made available under this section unless, to the extent and for the periods required by the Secretary, the applicant agrees that—

"(1) such housing will be maintained at all times in a safe and sanitary condition in accordance with standards prescribed by State or local law, or, in the absence of such standards, with requirements prescribed by the Secretary;

"(2) priority shall be given at all times, in granting occupancy of such housing and facilities, to the trainees and their families described in subsection (a); and

"(3) rentals charged them shall not exceed amounts approved by the Secretary after considering the portion of the actual total family income which the family can afford to pay for rent while meeting its other immediate needs during occupancy.

"(e) The Secretary may make advances pursuant to any contract for financial assistance under this section at such times and in such manner as may be specified in the contract. Such advances for the purchase of land shall be repayable with interest and within a period not to exceed thirty-three years and may be made upon such security, if any, as the Secretary requires. Advances for other purposes may be made repayable with or without interest or nonrepayable, as determined by the Secretary on the basis of the anticipated income and cost of operation of the housing and related facilities and the ability of each applicant to finance such facilities. Any advances shall be limited to cover the capital costs of constructing such facilities, plus interest on borrowings to cover such costs.

"(f) Should housing and related facilities assisted pursuant to a contract under this section be sold to an ineligible transferee or diverted to a use other than its primary purpose within a period specified in the contract, all advances made under such contract shall be repaid to the Secretary, up to the amount of the sales price or the fair value of the property as determined by the Secretary, whichever is higher, with interest from the date of the sale or diversion. If no suitable alternate use of the property is available, as determined by the Secretary, after the purpose of this section can no longer be served, the property shall be returned to its original condition by the recipient of the assistance.

"(g) Interest charged on advances made under this section shall be at a rate, prescribed by the Secretary, which shall be not less than a

rate determined by the Secretary of the Treasury taking into consideration the current average market yield on outstanding marketable obligations of the United States with remaining periods to maturity comparable to the average maturities of such loans, adjusted to the nearest one-eighth of 1 per centum, less not to exceed the difference between the adjusted rate determined by the Secretary of the Treasury and 1 per centum per annum, as determined by the Secretary.

"(h) The Secretary shall prescribe regulations to insure that Federal funds expended under this section are not wasted or dissipated.

"Related facilities." "(i) As used in this section (1) the term 'related facilities' shall include any necessary community rooms or buildings, infirmaries, utilities, access roads, water and sewer services, and the minimum fixed or movable equipment determined by the Secretary to be necessary to make the housing reasonably habitable by trainees and their families; and (2) the term 'trainee' means any person receiving training under any federally assisted training program.

"Trainee."

Appropriation. "(j) There are authorized to be appropriated such sums as may be necessary to carry out this section."

APPROPRIATIONS

63 Stat. 438; 75 Stat. 188; 78 Stat. 798. 42 USC 1483.

SEC. 1003. Section 513 of the Housing Act of 1949 is amended—

(1) by striking out "and (e)" and inserting in lieu thereof "(e)"; and

(2) by inserting before the period at the end thereof the following: "; and (f) such sums as may be required by the Secretary to administer the provisions of sections 235 and 236 of the National Housing Act".

Ante, pp. 477, 498.

PURCHASE OF LAND FOR BUILDING SITES

75 Stat. 186. 42 USC 1484.

SEC. 1004. Section 514(f)(2) of the Housing Act of 1949 is amended—

(1) by striking out "and" before "(B)", and

(2) by inserting before the semicolon at the end thereof the following: "and (C) land necessary for an adequate site".

MUTUAL AND SELF-HELP HOUSING

42 USC 1471-1490.

SEC. 1005. Title V of the Housing Act of 1949 is amended by adding after section 522 (as added by section 1002 of this Act) the following new section:

"MUTUAL AND SELF-HELP HOUSING

"SEC. 523. (a) The purposes of this section are (1) to make financial assistance available on reasonable terms and conditions in rural areas and small towns to needy low-income individuals and their families who, with the benefit of technical assistance and overall guidance and supervision, participate in approved programs of mutual or self-help housing by acquiring and developing necessary land, acquiring building materials, providing their own labor, and working cooperatively with others for the provision of decent, safe, and sanitary dwellings for themselves, their families, and others in the area or town involved, and (2) to facilitate the efforts of both public and private nonprofit organizations providing assistance to such individuals to contribute their technical and supervisory skills toward more effective and comprehensive programs of mutual or self-help housing in rural areas and small towns wherever necessary.

"(b) In order to carry out the purposes of this section, the Secretary of Agriculture (in this section referred to as the 'Secretary') is authorized—

"(1)(A) to make grants to, or contract with, public or private nonprofit corporations, agencies, institutions, organizations, and other associations approved by him, to pay part or all of the costs of developing, conducting, administering, or coordinating effective and comprehensive programs of technical and supervisory assistance which will aid needy low-income individuals and their families in carrying out mutual or self-help housing efforts; and Contract authority.

"(B) to establish the Self-Help Housing Land Development Fund, referred to herein as the Self-Help Fund, to be used by the Secretary as a revolving fund for making loans, on such terms and conditions and in such amounts as he deems necessary, to public or private nonprofit organizations for the acquisition and deve'opment of land as building sites to be subdivided and sold to families, nonprofit organizations, and cooperatives eligible for assistance under section 235 or 236 of the National Housing Act or section 521 of this Act. Such a loan, with interest at a rate not to exceed 3 percent per annum, shall be repaid within a period not to exceed two years from the making of the loan, or within such additional period as may be authorized by the Secretary in any case as being necessary to carry out the purposes hereof; and Self-Help Fund. Ante, pp. 477, 498. Ante, p. 551.

"(2) to make loans, on such terms and conditions and in such amounts as he deems necessary, to needy low-income individuals participating in programs of mutual or self-help housing approved by him, for the acquisition and development of land and for the purchase of such other building materials as may be necessary in order to enable them, by providing substantially all of their own labor, and by cooperating with others participating in such programs, to carry out to completion the construction of decent, safe, and sanitary dwellings for such individuals and their families, subject to the following limitations: Loans.

"(A) there is reasonable assurance of repayment of the loan;

"(B) the amount of the loan, together with other funds which may be available, is adequate to achieve the purpose for which the loan is made;

"(C) the credit assistance is not otherwise available on like terms or conditions from private sources or through other Federal, State, or local programs;

"(D) the loan bears interest at a rate not to exceed 3 per centum per annum on the unpaid balance of principal, plus such additional charge, if any, toward covering other costs of the loan program as the Secretary may determine to be consistent with its purposes; and

"(E) the loan is repayable within not more than thirty-three years.

"(c) In determining whether to extend financial assistance under paragraph (1) or (2) of subsection (b), the Secretary shall take into consideration, among other factors, the suitability of the area within which construction will be carried out to the type of dwelling which can be provided under mutual or self-help housing programs, the extent to which the assistance will facilitate the provision of more decent, safe, and sanitary housing conditions than presently exist in the area, the extent to which the assistance will be utilized efficiently and expeditiously, the extent to which the assistance will effect an increase in the standard of living of low-income individuals participating in the mutual or self-help housing program, and whether the Considerations.

assistance will fulfill a need in the area which is not otherwise being met through other programs, including those carried out by other Federal, State, or local agencies.

"Construction." "(d) As used in this section, the term 'construction' includes the erection of new dwellings, and the rehabilitation, alteration, conversion, or improvement of existing structures.

Eligibility of applicants, criteria. "(e) The Secretary is authorized to establish appropriate criteria and procedures in order to determine the eligibility of applicants for the financial assistance provided under this section, including criteria and procedures with respect to the periodic review of any construction carried out with such financial assistance.

Appropriation. "(f) There are hereby authorized to be appropriated for each fiscal year commencing after June 30, 1968, and ending prior to July 1, 1973, such sums, not in excess of $5,000,000 for any such fiscal year, as may be necessary to carry out the provisions of this section. No grant or loan may be made or contract entered into under the authority of this section after June 30, 1973, except pursuant to a commitment or other obligation entered into pursuant to this section before that date.

"(g) There are hereby authorized to be appropriated for the purposes of subsection (b)(1)(B) not to exceed $1,000,000 for the fiscal year ending June 30, 1969, and not to exceed $2,000,000 for the fiscal year ending June 30, 1970. Any amount so authorized to be appropriated for any fiscal year which is not appropriated may be appropriated for any succeeding fiscal year or years. Amounts appropriated under this subsection shall be deposited in the Self-Help Fund, which shall be available without fiscal year limitation for making loans under subsection (b)(1)(B). Instruments and property acquired by the Secretary in or as a result of making such loans shall be assets of the Self-Help Fund. Sums received from the repayment of such loans shall be deposited in and be a part of the Self-Help Fund."

TITLE XI—URBAN PROPERTY PROTECTION AND REINSURANCE

SHORT TITLE

SEC. 1101. This title may be cited as the "Urban Property Protection and Reinsurance Act of 1968."

FINDINGS AND DECLARATION OF PURPOSE

SEC. 1102. (a) The Congress finds that (1) the vitality of many American cities is being threatened by the deterioration of their inner city areas; responsible owners of well-maintained residential, business, and other properties in many of these areas are unable to obtain adequate property insurance coverage against fire, crime, and other perils; the lack of such insurance coverage accelerates the deterioration of these areas by discouraging private investment and restricting the availability of credit to repair and improve property therein; and this deterioration poses a serious threat to the national economy; (2) recent riots and other civil commotion in many American cities have brought about abnormally high losses to the private property insurance industry for which adequate reinsurance cannot be obtained at reasonable cost, and the risk of such losses will make most lines of property insurance even more difficult to obtain; (3) the capacity of the private property insurance industry to provide adequate insurance is threatened, and the continuity of such property insurance protection is essential to the extension of credit in these areas; and (4) the national interest demands urgent action by the Congress to assure that essential lines of property insurance, including lines providing protection

against riot and civil commotion damage will be available to property owners at reasonable cost.

(b) The purposes of this title are, therefore, to (1) encourage and assist the various State insurance authorities and the property insurance industry to develop and carry out statewide programs which will make necessary property insurance coverage against the fire, crime, and other perils more readily available for residential, business, and other properties meeting reasonable underwriting standards; and (2) provide a Federal program of reinsurance against abnormally high property insurance losses resulting from riots and other civil commotion, placing appropriate financial responsibility upon the States to share in such losses.

AMENDMENT OF THE NATIONAL HOUSING ACT

SEC. 1103. The National Housing Act is amended by adding at the end thereof the following new title:

"TITLE XII—NATIONAL INSURANCE DEVELOPMENT PROGRAM

"PROGRAM AUTHORITY

"SEC. 1201. (a) The Secretary is authorized to establish and carry out the programs provided for in parts A, B, and C of this title. Post, pp. 558, 560, 563.

"(b) (1) The powers of the Secretary under this title shall terminate on April 30, 1973, except to the extent necessary—

"(A) to continue reinsurance in accordance with the provisions of section 1223(b) until April 30, 1976;

"(B) to process, verify, and pay claims for reinsured losses and perform other necessary functions in connection therewith; and

"(C) to complete the liquidation and termination of the reinsurance program.

"(2) On April 30, 1976, or as soon thereafter as possible, the Secretary shall submit to the Congress, for its approval, a plan for the liquidation and termination of the reinsurance program. Report to Congress.

"ADVISORY BOARD; MEETINGS, DUTIES, COMPENSATION, AND EXPENSES

"SEC. 1202. (a) (1) There is established an Advisory Board (hereinafter called the 'Board') consisting of nineteen members appointed by the Secretary. Members of the Board shall be selected from among representatives of the general public, the insurance industry, State and local governments including State insurance authorities, and the Federal Government. Of these members of the Board, not more than six shall be regular full-time employees of the Federal Government, and not less than four shall be representatives of the private insurance industry and not less than four shall be representatives of State insurance authorities.

"(2) The Secretary shall designate a Chairman and a Vice Chairman of the Board.

"(3) Each member shall serve for a term of two years or until his successor has been appointed, except that no person who is appointed while a full-time employee of a State or the Federal Government shall serve in such position after he ceases to be so employed, unless he is reappointed.

"(4) Any member appointed to fill a vacancy occurring prior to the expiration of the term for which his predecessor was appointed shall be appointed for the remainder of that term.

"(b) The Chairman shall preside at all meetings, and the Vice Chairman shall preside in the absence or disability of the Chairman. In the absence of both the Chairman and Vice Chairman, the Secretary may appoint any member to act as Chairman pro tempore. The Board shall meet at such times and places as it or the Secretary may fix and determine, but shall hold at least four regularly scheduled meetings a year. Special meetings may be held at the call of the Chairman or any three members of the Board, or at the call of the Secretary.

"(c) The Board shall review general policies and shall advise the Secretary with respect thereto, and perform such other functions as are specified in this title.

"(d) The members of the Board shall not, by reason of such membership, be deemed to be employees of the United States, and such members, except those who are regular full-time employees of the Government, shall receive for their services, as members, the per diem equivalent to the rate for grade GS–18 of the General Schedule under section 5332 of title 5, United States Code, when engaged in the performance of their duties, and each member of the Board shall be allowed travel expenses, including per diem in lieu of subsistence, as authorized by section 5703 of such title for persons in the Government service employed intermittently.

33 F.R. 3641.

80 Stat. 499.

"DEFINITIONS

"SEC. 1203. (a) When used in this title, unless the context otherwise requires, the term—

"(1) 'environmental hazard' means any hazardous condition that might give rise to loss under an insurance contract, but which is beyond the control of the property owner;

"(2) 'essential property insurance' means insurance against direct loss to property as defined and limited in standard fire policies and extended coverage endorsement thereon, as approved by the State insurance authority, and insurance for such types, classes, and locations of property against the perils of vandalism, malicious mischief, burglary, or theft, as the Secretary by rule shall designate. Such insurance shall not include automobile insurance and shall not include insurance on such types of manufacturing risks as may be excluded by the State insurance authority;

"(3) 'inspection facility', with respect to any State, means any rating bureau or other person designated by the State insurance authority to perform inspections under fair access to insurance requirements plans under part A;

"(4) 'insurer' includes any insurance company or group of companies under common ownership which is authorized to engage in the insurance business under the laws of any State;

"(5) 'pool' means any pool or association of insurance companies in any State which is formed, associated, or otherwise created for the purpose of making property insurance more readily available;

"(6) 'losses resulting from riots or civil disorders' means losses resulting from riots or civil disorders under policies for standard lines of property insurance for which reinsurance is offered under section 1221, as determined under regulations of the Secretary;

"(7) 'property owner', with respect to any real, personal, or mixed real and personal property, means any person having an insurable interest in such property;

"(8) 'person' includes any individual or group of individuals, corporation, partnership, or association, or any other organized group of persons;

"(9) 'reinsured losses' means losses on reinsurance claims and all direct expenses incurred in connection therewith including, but not limited to, expenses for processing, verifying, and paying such losses;

"(10) 'standard line of property insurance' includes—

"(A) fire and extended coverage;

"(B) vandalism and malicious mischief;

"(C) other allied lines of fire insurance;

"(D) burglary and theft;

"(E) those portions of multiple peril policies covering perils similar to those provided for in subparagraphs (A), (B), (C), and (D);

"(F) inland marine;

"(G) glass;

"(H) boiler and machinery;

"(I) ocean marine;

"(J) aircraft physical damage; and

"(K) such other lines generally offered to the public which include protection against damage from riot or civil commotion as the Secretary by regulation may designate;

"(11) 'State' means the several States, the District of Columbia, the Commonwealth of Puerto Rico, the territories and possessions, and the Trust Territory of the Pacific Islands;

"(12) 'urban area' includes any municipality or other political subdivision of a State, subject to population or other limitations defined in rules and regulations of the Secretary and such additional areas as may be designated by the State insurance authority; and

"(13) 'year' means a calendar year, fiscal year of a company, or such other period of twelve months as may be designated by the Secretary.

"(b) The Secretary is authorized to define, by rules and regulations, any technical or trade term, insofar as such definition is not inconsistent with the provisions of this title.

"Part A—Statewide Plans To Assure Fair Access to Insurance Requirements

"fair plans

"Sec. 1211. (a) Each insurer reinsured under this title shall cooperate with the State insurance authority in each State in which it is to acquire such reinsurance in establishing and carrying out statewide plans to assure fair access to insurance requirements (FAIR plans).

"(b) Such plans must be approved by, and administered under the supervision of, the State insurance authority, or be authorized or required by State law, and shall be designed to make essential property insurance more readily available in, but not necessarily limited to, urban areas. Such plans may vary in detail from State to State because of local conditions, but all plans shall contain provisions that—

"(1) no risk shall be written at surcharged rates or be denied insurance coverage for essential property insurance unless there has first been an inspection of the risk, without cost to the owner, by an inspection facility and a determination by the insurer, based on information in the inspection report and other sources, that the risk does not meet reasonable underwriting standards at the applicable premium rate;

"(2) inspections under the plan may be requested by the property owner or his representative, the insurer, or the insurance

agent, broker or other producer, and such requests need not be made in writing;

"(3) the absence of a building owner or his representative during an inspection shall not preclude a tenant seeking insurance from obtaining an inspection under the plan;

"(4) following the inspection, a copy of the inspection report shall be promptly sent by the inspection facility to the insurer or insurers, or to an all-industry placement facility referred to under section 1212, as may be designated by the person requesting the inspection;

"(5) after the inspection report is received by an insurer, it shall promptly determine if the risk meets reasonable underwriting standards at the applicable premium rate, and shall promptly return to the inspection facility the inspection report and provide an action report setting forth—

"(A)(i) the amount of coverage it agrees to write; and if the insurer agrees to write the coverage with a surcharge (if such a surcharge is authorized by the State insurance authority), the improvements necessary before it will provide coverage at an unsurcharged premium rate; and

"(ii) the amount of coverage it agrees to write if certain improvements specified in the action report are made; or

"(B) the specific reasons it declines to write coverage;

"(6) if the insurer declines the risk, or agrees to write the coverage sought on condition that the property will be improved, it shall also promptly send a copy of both the inspection and action reports to the property owner and the State insurance authority, and at the time the insurer sends such reports to the property owner, it shall also explain his right, under applicable State laws, to appeal the decision of the insurer to the State insurance authority, setting forth the procedures to be followed for such appeal;

"(7) all policies written pursuant to the plan shall be promptly written after inspection or reinspection and shall be separately coded so that appropriate records may be compiled for purposes of performing loss prevention and other studies of the operation of the plan;

"(8) the inspection facility shall submit to the State insurance authority and to the Secretary periodic reports setting forth information, by individual insurers, including the number of risks inspected under the plan, the number of risks accepted, the number of risks conditionally accepted and reinspections made, the number of risks declined, and such other information as the State insurance authority may request;

"(9) notice will be given to any policyholder a reasonable time prior to the cancellation or nonrenewal of any risk eligible under the plan (except in case of nonpayment of premium or evidence of incendiarism), to allow ample time for an application for new coverage to be made and a new policy to be written under the plan, and the insurer shall, in writing, explain to the policyholder the procedures for obtaining an inspection under the plan in the notice of cancellation or nonrenewal; and

"(10) a continuing public education program will be undertaken by the participating insurers, agents, and brokers to assure that the plan receives adequate public attention.

"ALL-INDUSTRY PLACEMENT FACILITY

"SEC. 1212. Any plan under this part shall include an all-industry placement facility doing business with every insurer participating in the plan in the State, and shall provide that this facility shall perform certain functions including, but not limited to, the following:

"(1) seeking, upon request by or on behalf of any property owner requesting an inspection under the plan, to distribute the risks involved equitably among the insurers with which it is doing business; and

"(2) seeking to place insurance up to the full insurable value of the risk to be insured with one or more insurers with which it is doing business, except to the extent that deductibles, percentage participation clauses, and other underwriting devices are employed to meet special problems of insurability.

"INDUSTRY COOPERATION

"SEC. 1213. (a) Each insurer seeking reinsurance under this title shall file a statement with the State insurance authority in each State in which it is participating in a plan under this part, pledging its full participation and cooperation in carrying out the plan, and shall file a copy of such statement with the Secretary.

"(b) No insurer acquiring reinsurance under this title shall direct any agent or broker or other producer not to solicit business through such a plan, nor shall any agent, broker, or other producer be penalized by such insurer in any way for submitting applications for insurance to an insurer under the plan.

"PLAN EVALUATION

"SEC. 1214. (a) In accordance with such rules and regulations as the Secretary may prescribe, each State insurance authority shall—

"(1) transmit to the Secretary any proposed or adopted plan, or amendments thereto; and

"(2) advise the Secretary, from time to time, concerning the operation of the plan, its effectiveness in providing essential property insurance, and the need to form a pool of insurers or adopt other programs to make essential property insurance more readily available in urban areas of the State.

"(b) The Secretary may, after full consultation with the Board, by rules and regulations, modify the plan criteria set forth under this part, if he finds, on the basis of experience, that such action is necessary or desirable to carry out the purposes of this title. The Secretary may also, with respect to any State, waive compliance with one or more of the plan criteria, upon certification by the State insurance authority that compliance is unnecessary or inadvisable under local conditions or State law.

"PART B—REINSURANCE COVERAGE

"REINSURANCE OF LOSSES FROM RIOTS OR CIVIL DISORDERS

"SEC. 1221. (a)(1) The Secretary is authorized to offer to any insurer or pool, subject to the conditions set forth in section 1223, reinsurance against property losses resulting from riots or civil disorders in any one or more States.

"(2) Reinsurance shall be offered to any such insurer or pool only on all standard lines of property insurance enumerated under subparagraphs (A) through (E) of section 1203(a)(10) together, and any insurer or pool purchasing such reinsurance shall also be eligible,

to purchase reinsurance on any one or more standard lines of property insurance enumerated under subparagraphs (F) through (J) of section 1203(a)(10) or which may be designated by regulation pursuant to subparagraph (K) of that section.

"(b) Reinsurance coverage under this section may be provided immediately following the enactment of this title to any insurer or pool in any State on a temporary basis, and on such terms and conditions as may be agreed upon, and coverage under such terms and conditions may be bound with respect to any such insurer or pool by means of a written binder which shall remain in force not more than ninety days and shall expire at the earlier of either—

"(1) the termination of such ninety-day period, or

"(2) the effective date of any governing contract, agreement, treaty, or other arrangement entered into between the insurer or pool and the Secretary under section 1222 for the purpose of providing reinsurance coverage against losses resulting from riots or civil disorders.

"(c) No reinsurance shall be offered to any insurer or pool in a State after the expiration of the written binder entered into under subsection (b), unless there is in effect in such State a plan as set forth under part A and the insurer or pool is participating in such plan, and unless, in the case of an insurer in a State where a pool has been established pursuant to State law, the insurer is participating in such a pool.

"REINSURANCE AGREEMENTS AND PREMIUMS

"SEC. 1222. (a) During the first year following the date of the enactment of this title, the Secretary is authorized to enter into any contract, agreement, treaty, or other arrangement with any insurer or pool for reinsurance coverage, in consideration of payment of such premiums, fees, or other charges by insurers or pools which the Secretary, after full consultation with the Board, deems to be adequate to obtain aggregate reinsurance premiums for deposit in the National Insurance Development Fund established under section 1233 in excess of the estimated amount of insured riot losses during the calendar year 1967, on the assumption that a substantial proportion of the property insurance written will be reinsured under this title, and thereafter the Secretary may increase or decrease such premiums for reinsurance if it is found after full consultation with the Board and the National Association of Insurance Commissioners that such action is necessary or appropriate to carry out the purposes of this title.

"(b) Reinsurance offered under this title shall reimburse an insurer or pool for its total proved and approved claims for covered losses resulting from riots or civil disorders during the term of the reinsurance contract, agreement, treaty, or other arrangement, over and above the amount of the insurer's or pool's retention of such losses as provided in such reinsurance contract, agreement, treaty, or other arrangement entered into under this section.

"(c) Such contracts, agreements, treaties, or other arrangements may be made without regard to section 3679(a) of the Revised Statutes of the United States (31 U.S.C. 665(a)), and shall include any terms and conditions which the Secretary deems necessary to carry out the purposes of this title. The premium rates, terms, and conditions of such contracts with insurers or pools, throughout the country, in any one year shall be uniform.

"(d) Any contract, agreement, treaty, or other arrangement for reinsurance under this section shall be for a term expiring on April 30, 1969, and on April 30 each year thereafter, and shall be entered into within ninety days after the date of the enactment of this title or within ninety days prior to April 30 each year thereafter, or within ninety

days after an insurer is authorized to write insurance eligible for reinsurance in a State which it was not authorized to write in the preceding year.

"CONDITIONS OF REINSURANCE

"SEC. 1223. (a) Subject to the provisions of subsection (b), reinsurance shall not be offered by the Secretary in a State or be applicable to insurance policies written in that State by an insurer—

"(1) after one year following the date of the enactment of this title, or, if the appropriate State legislative body has not met in regular session during that year, by the close of its next regular session, in any State which has not adopted appropriate legislation, retroactive to the date of the enactment of this title, under which the State, its political subdivisions, or a governmental corporation or fund established pursuant to State law, will reimburse the Secretary, in an amount up to 5 per centum of the aggregate property insurance premiums earned in that State during the preceding calendar year on those lines of insurance reinsured by the Secretary in that State during the current year, such that the Secretary may be reimbursed for amounts paid by him in respect to reinsured losses that occurred in that State during a calendar year in excess of (A) reinsurance premiums received in that State during the same calendar year plus (B) the excess of (i) the total premiums received by the Secretary for reinsurance in that State during a preceding period measured from the end of the most recent calendar year with respect to which the Secretary was reimbursed for losses under this title over (ii) any amounts paid by the Secretary for reinsured losses that occurred during this same period;

"(2) after thirty days following notification to the insurer that the Secretary finds (after consultation with the State insurance authority) that there has not been adopted by the State, or the property insurance industry in that State, a suitable program or programs, in addition to plans under part A, to make essential property insurance available without regard to environmental hazards, and that such action is necessary to carry out the purposes of this title; except that this paragraph shall not become effective until two years after the date of the enactment of this title, or at such earlier date as the Secretary, after consultation with the State insurance authority, may determine;

"(3) after thirty days following notification to the insurer that the Secretary, or the State insurance authority, finds that such insurer is not fully participating—

"(A) in the plan in the State;

"(B) where it exists, in a pool; and

"(C) where it exists, in any other program found by the Secretary to aid in making essential property insurance more readily available in the State:

Provided, That the Secretary shall not make any such finding with respect to any insurer unless (i) prior to making such finding the Secretary has requested and considered the views of the State insurance authority as to whether such finding should be made, or (ii) the Secretary has made such a request in writing to the State insurance authority and such authority has failed to respond thereto within a reasonable period of time after receiving such request;

"(4) following a merger, acquisition, consolidation or reorganization involving one or more insurers having lines of property insurance in the State reinsured under this title and one or more

insurers with or without such reinsurance, unless the surviving company—

"(A) meets the criteria of eligibility for reinsurance, other than as provided under section 1222(d); and

"(B) within ten days pays any reinsurance premiums due; or

"(5) upon receipt of notice from the insurer or pool that it desires to cancel its reinsurance agreement with the Secretary in the State.

"(b) Notwithstanding the foregoing provisions of this section, reinsurance may be continued for the term of the policies written prior to the date of termination or nonrenewal of reinsurance under this section, for as long as the insurer pays reinsurance premiums annually in such amounts as are determined under section 1222, based on the annual premiums earned on such reinsured policies, and for the purpose of this subsection, the renewal, extension, modification, or other change in a policy, for which any additional premium is charged, shall be deemed to be a policy written on the date such change was made.

"RECOVERY OF PREMIUMS; STATUTE OF LIMITATIONS

"SEC. 1224. (a) The Secretary, in a suit brought in the appropriate United States district court, shall be entitled to recover from any insurer the amount of any unpaid premiums lawfully payable by such insurer to the Secretary.

"(b) No action or proceeding shall be brought for the recovery of any premium due to the Secretary for reinsurance, or for the recovery of any premium paid to the Secretary in excess of the amount due to him, unless such action or proceeding shall have been brought within five years after the right accrued for which the claim is made, except that, where the insurer has made or filed with the Secretary a false or fraudulent annual statement, or other document with the intent to evade, in whole or in part, the payment of premiums, the claim shall not be deemed to have accrued until its discovery by the Secretary.

"PART C—PROVISIONS OF GENERAL APPLICABILITY

"CLAIMS AND JUDICIAL REVIEW

"SEC. 1231. (a) All reinsurance claims for losses under this title shall be submitted by insurers in accordance with such terms and conditions as may be established by the Secretary.

"(b)(1) Upon disallowance of any claim under color of reinsurance made available under this title, or upon refusal of the claimant to accept the amount allowed upon any such claim, the claimant may institute an action against the Secretary on such claim in the United States district court for the district in which a major portion (in terms of value) of the claim arose.

U. S. district courts, jurisdiction.

"(2) Any such action must be begun within one year after the date upon which the claimant received written notice of disallowance or partial disallowance of the claim, and exclusive jurisdiction is hereby conferred upon United States district courts to hear and determine such actions without regard to the amount in controversy.

"FISCAL INTERMEDIARIES AND SERVICING AGENTS

Contract authority.

"SEC. 1232. (a) In order to provide for maximum efficiency in the administration of the reinsurance program under this title, and in order to facilitate the expeditious payment of any funds under such program, the Secretary may enter into contracts with any insurer, pool,

or other person, for the purpose of providing for the performance of any or all of the following functions:

"(1) estimating or determining any amounts of payments for reinsurance claims;

"(2) receiving and disbursing and accounting for funds in making payments for reinsurance claims;

"(3) auditing the records of any insurer, pool, or other person to the extent necessary to assure that proper payments are made;

"(4) establishing the basis of liability for reinsurance payments, including the total amount of proved and approved claims which may be payable to any insurer, and the total amount of premiums earned by any insurer in the respective States for reinsured lines of property insurance; and

"(5) otherwise assisting in any manner provided in the contract to further the purposes of this title.

"(b)(1) Any such contract may require the insurer, pool, or other person, or any of its officers or employees certifying payments or disbursing funds pursuant to the contract, or otherwise participating in carrying out the contract, to give surety bond to the United States in such amounts as the Secretary may deem appropriate.

"(2) In the absence of gross negligence or intent to defraud the United States—

"(A) no individual designated pursuant to a contract under this section to certify payments shall be liable with respect to any payment certified by him under this section; and

"(B) no officer of the United States disbursing funds shall be liable with respect to any otherwise proper payment by him if it was based on a voucher signed by an individual designated pursuant to a contract under this section to certify payments.

"NATIONAL INSURANCE DEVELOPMENT FUND

"SEC. 1233. (a) To carry out the programs authorized under this title, the Secretary is authorized to establish a National Insurance Development Fund (hereinafter called the 'fund') which shall be available, without fiscal year limitations—

"(1) to make such payments as may, from time to time, be required under reinsurance contracts under this title;

"(2) to pay such administrative expenses as may be necessary or appropriate to carry out the purposes of this title; and

"(3) to repay to the Secretary of the Treasury such sums, including interest thereon, as may be borrowed from him for purposes of such programs under section 520(b). 79 Stat. 472. 12 USC 1735d.

"(b) The fund shall be credited with—

"(1) reinsurance premiums, fees, and other charges which may be paid or collected in connection with reinsurance provided under part B;

"(2) interest which may be earned on investments of the fund;

"(3) such amounts as may be advanced to the fund from appropriations in order to maintain the fund in an operative condition adequate to meet its liabilities;

"(4) receipts from any other source which may, from time to time, be credited to the fund; and

"(5) funds borrowed by the Secretary under section 520(b) and deposited in the fund.

"(c) If, after any amounts which may have been advanced to the fund from appropriations have been credited to the appropriation from which advanced (including interest thereon at the rate prescribed under section 520(b)), the Secretary determines that the moneys of the fund are in excess of current needs, he may request the investment of such amounts as he deems advisable by the Secretary of the Treasury in obligations issued or guaranteed by the United States.

"(d) An annual business-type budget for the fund shall be prepared, transmitted to the Congress, considered, and enacted in the manner prescribed by law (sections 102, 103, and 104 of the Government Corporation Control Act (31 U.S.C. 847–849)) for wholly-owned Government corporations.

59 Stat. 597; 61 Stat. 584.

"RECORDS, ANNUAL STATEMENT, AND AUDITS

"SEC. 1234. (a) Any insurer or pool acquiring reinsurance under this title shall furnish the Secretary with such summaries and analyses of information in its records as may be necessary to carry out the purposes of this title, in such form as the Secretary, in cooperation with the State insurance authority, shall, by rules and regulations, prescribe. The Secretary shall make use of State insurance authority examination reports and facilities to the maximum extent feasible.

"(b) Any insurer or pool acquiring reinsurance under this title shall file with the Secretary a true and correct copy of any annual statement, or amendment thereof, filed with the State insurance authority of its domiciliary State, at the time it files such statement or amendment with such State insurance authority.

Recordkeeping requirements.

"(c) Any insurer or other person executing any contract, agreement, or other appropriate arrangement with the Secretary under section 1222 or section 1232 shall keep reasonable records which fully disclose the total costs of the programs undertaken or the services being rendered, and such other records as will facilitate an effective audit of liability for reinsurance payments by the Secretary.

Access to records, etc.

"(d) The Secretary and the Comptroller General of the United States, or any of their duly authorized representatives, shall have access for the purpose of investigation, audit, and examination to any books, documents, papers, and records of any insurer or other person that are pertinent to the costs of any program undertaken for, or services rendered to, the Secretary. Such audits shall be conducted to the maximum extent feasible in cooperation with the State insurance authorities and through the use of their examining facilities.

"STUDY OF REINSURANCE AND OTHER PROGRAMS

"SEC. 1235. (a) The Secretary is authorized and directed to conduct a study of reinsurance and other means to help assure—

"(1) an adequate market for burglary and theft and other property insurance in urban areas; and

"(2) adequate availability of surety bonds for construction contractors in urban areas.

"(b) The Secretary shall submit the results of this study, together with appropriate recommendations, to the President and Congress no later than one year following the date of the enactment of this title.

"OTHER STUDIES

"SEC. 1236. (a) The Secretary is authorized to undertake such studies as may be necessary to carry out the purposes of this title including, but not limited to, inquiries concerning—

"(1) the operation of plans under part A;

"(2) the extent to which essential property insurance is unavailable in urban areas;

"(3) the market for private reinsurance; and

"(4) loss prevention methods and procedures, insurance marketing methods, and underwriting techniques.

"(b) To such extent and under such circumstances as may be practicable and feasible, the Secretary shall conduct any study authorized

under this section in cooperation with State insurance authorities and the private insurance industry.

"GENERAL POWERS

"SEC. 1237. In the performance of, and with respect to, the functions, powers, and duties vested in him by this title, the Secretary shall (in addition to any authority otherwise vested in him) have the functions, powers, and duties (including the authority to issue rules and regulations) set forth in section 402, except subsections (c)(2), (d), and (f), of the Housing Act of 1950. Any rules or regulations of the Secretary shall only be issued after full consultation with the Board and after notice and hearing, if granted, as required by the Administrative Procedure Act.

64 Stat. 78; 73 Stat. 681 12 USC 1749a.

60 Stat. 237. 5 USC 551 et seq.

"SERVICES AND FACILITIES OF OTHER AGENCIES—UTILIZATION OF PERSONNEL, SERVICES, FACILITIES, AND INFORMATION

"SEC. 1238. The Secretary may, with the consent of the agency concerned, accept and utilize, on a reimbursable basis, the officers, employees, services, facilities, and information of any agency of the Federal Government, except that any such agency having custody of any data relating to any of the matters within the jurisdiction of the Secretary shall, to the extent permitted by law, upon request of the Secretary, make such data available to the Secretary.

"ADVANCE PAYMENTS

"SEC. 1239. Any payments which are made under the authority of this title may be made, after necessary adjustments on account of previously made underpayments or overpayments in advance or by way of reimbursement. Payments may be made in such installments and on such conditions as the Secretary may determine.

"TAXATION

"SEC. 1240. (a) The National Insurance Development Fund, including its reserves, surplus, and income, shall be exempt from all taxation now or hereafter imposed by the United States, or by any State, or any subdivision thereof, except that any real property acquired by the Secretary as a result of reinsurance shall be subject to taxation by any State or political subdivision thereof, to the same extent, according to its value, as other real property is taxed.

"(b) Any measures undertaken by any State to meet or to fund its obligations under section 1223(a)(1) shall not be the subject of any retaliatory or fiscal imposition by any other State.

"APPROPRIATIONS

"SEC. 1241. There are hereby authorized to be appropriated such sums as may be necessary to carry out this title."

FINANCING

SEC. 1104. Section 520(b) of the National Housing Act is amended by inserting "(1)" after "necessary" in the first sentence, and by striking out the period at the end of such sentence and inserting in lieu thereof ", and (2) to make payments for reinsured losses under title XII of this Act: *Provided, however*, That borrowings to make payments for reinsured losses under title XII shall be limited to

79 Stat. 472. 12 USC 1735d.

$250,000,000 or such further sum as the Congress, by joint resolution, may from time to time determine."

FEDERAL INSURANCE ADMINISTRATOR

SEC. 1105. (a) There is hereby established in the Department of Housing and Urban Development the position of Federal Insurance Administrator.

80 Stat. 461; 81 Stat. 638.

(b) Section 5315 of title 5, United States Code, is amended by adding at the end thereof the following new paragraph:

"(91) Federal Insurance Administrator, Department of Housing and Urban Development."

CLARIFYING AMENDMENTS TO ACTS REFERRING TO DISASTERS

72 Stat. 387. 15 USC 636.

SEC. 1106. (a) Section 7(b)(1) of the Small Business Act is amended by inserting ", riots or civil disorders," before "or other catastrophes".

79 Stat. 451. 12 USC 1701s. 70 Stat. 1101; 81 Stat. 21. 42 USC 1462.

(b) Section 101(c)(2)(E) of the Housing and Urban Development Act of 1965 is amended by striking out "natural".

(c) Section 111 of the Housing Act of 1949 is amended by striking out "the Secretary" after "disaster," and inserting in lieu thereof "or which the Secretary has determined is in need of such redevelopment or rehabilitation as a result of a riot or civil disorder, he".

68 Stat. 592. 12 USC 1709.

(d) Section 203(h) of the National Housing Act is amended by inserting "riot or civil disorder," before "or other catastrophe".

Relief prohibited to convicted felons.

(e) No person who has been convicted of committing a felony during and in connection with a riot or civil disorder shall be permitted, for a period of one year after the date of his conviction, to receive any benefit under any law of the United States providing relief for disaster victims.

TITLE XII—DISTRICT OF COLUMBIA INSURANCE PLACEMENT ACT

SHORT TITLE

SEC. 1201. This title may be cited as the "District of Columbia Insurance Placement Act".

DECLARATION OF PURPOSE

SEC. 1202. The purposes of this title are—

(1) to assure stability in the property insurance market for property located in the District of Columbia;

(2) to assure the availability of basic property insurance as defined by this title;

(3) to encourage maximum use, in obtaining basic property insurance, of the normal insurance market provided by authorized insurers; and

(4) to provide for the equitable distribution among insurers of the responsibility for insuring qualified property in the District of Columbia for which insurance cannot be obtained through the normal insurance market and to authorize the establishment of a joint underwriting association in the District of Columbia to provide for reinsuring of basic property insurance without regard to environmental hazards.

DEFINITIONS

SEC. 1203. As used in this title, unless the context otherwise requires—

(1) The term "Commissioner" means the Commissioner of the District of Columbia or his designated agent.

(2) The term "basic property insurance" means (1) insurance against direct loss to property caused by perils as defined and limited in the standard fire policy and extended coverage endorsement thereon, as approved by the Commissioner, and (2) such other insurance (including insurance against the perils of vandalism, malicious mischief, burglary, theft, and robbery) as the Commissioner may designate (under regulations adopted or made under section 1205 of this title) from those lines of property insurance for which reinsurance is available for losses from riots or civil disorders under part B of title XII of the National Housing Act. Ante, p. 560.

(3) The term "environmental hazard" means any hazardous condition that might give rise to loss under an insurance contract, but which is beyond the control of the property owner.

(4) The term "inspection bureau" means any rating bureau or other organization designated by the Commissioner to perform inspections to determine the condition of the properties for which basic property insurance is sought.

(5) The terms "Industry Placement Facility" and "Facility" mean the facility consisting of all insurers licensed to write and engaged in writing basic property insurance (including homeowners and commercial multiperil policies) within the District of Columbia to assist agents, brokers, and applicants in securing basic property insurance.

(6) The term "premiums written" means gross direct premiums charged with respect to property in the District of Columbia on all policies of basic property insurance and the basic property insurance premium components of all multiperil policies, less all premiums and dividends returned, paid, or credited to policyholders or the unused or unabsorbed portions of premiums deposits.

(7) The term "property owner" means any person having an insurable interest in real, personal, or mixed real and personal property.

INDUSTRY PLACEMENT FACILITY

SEC. 1204. (a) Within thirty days after the date of the enactment of this title all insurers licensed to write and engaged in writing in the District of Columbia, on a direct basis, basic property insurance or any component thereof in multiperil policies, shall establish an Industry Placement Facility. The Facility shall formulate and administer a program, subject to disapproval by the Commissioner in whole or in part, to seek the equitable apportionment amount such insurers of basic property insurance which may be afforded applicants in the District of Columbia whose property is insurable in accordance with reasonable underwriting standards and who individually or through their insurance agent or broker request the aid of the Facility to procure such insurance. The Facility shall seek to place insurance with one or more participating companies up to the full insurable value of the risk, if requested, except to the extent that deductibles, percentage participation clauses, and other underwriting devices are employed to meet special problems of insurability.

(b) The Facility may, subject to the approval of the Commissioner, provide as part of its program for the equitable distribution of commercial risks and dwelling risks among insurers.

(c) Each insurer licensed to write and engaged in writing in the District of Columbia, on a direct basis, basic property insurance or

any component thereof in multiperil policies shall participate in the Industry Placement Facility program in accordance with the established rules of the program as a condition of its authority to transact such kinds of insurance in the District of Columbia, except that, in lieu of revoking or suspending the certificate of authority of any company for any failure to comply with any of the established rules of the program, the Commissioner may subject such company to a penalty of not more than $200 for each such failure to so comply when in his judgment he finds that the public interest would be best served by the continued operation of the company in the District of Columbia.

Penalty for noncompliance.

FAIR ACCESS TO INSURANCE REQUIREMENTS

SEC. 1205. (a) The Industry Placement Facility shall on its own motion, or within thirty days after a request by the Commissioner, submit to the Commissioner such proposed rules and regulations applicable to insurers, agents, and brokers deemed necessary to assure all property owners fair access to basic property insurance through the normal insurance markets, including rules and regulations concerning—

(1) the manner and scope of inspections of risk by an inspection bureau;

(2) the preparation and filing of inspection reports and reports on actions taken in connection with inspected risks, and summaries thereof;

(3) the operation of the Facility, including rules and regulations concerning—

(A) the basic property insurance coverages to be provided through the Facility;

(B) the reasonable effort to obtain insurance in the normal commercial market required of an applicant before recourse to the Facility; and

(C) the appeals procedure within the Facility for any applicant for insurance regarding any ruling, action, or decision by or on behalf of the Facility.

(b) The Commissioner may adopt such of the rules and regulations submitted pursuant to subsection (a) of this section as he approves. If the Commissioner disapproves any proposed rule or regulation submitted, he shall state the reasons for so doing, and he shall require the Facility to submit a revision therof within such time as he may designate, but no less than ten days. During such designated time, the Commissioner and the Facility shall consult regarding any such disapproved rule or regulation. If the Facility fails to submit a proposed rule or regulation, or revision thereof, within the designated time, or if a revised rule or regulation is unacceptable to the Commissioner, the Commissioner may make such rules and regulations covering the proposed general subject matter as he shall deem necessary to carry out the purposes of this title. Any rule or regulation adopted or made under this section shall be consistent with the requirements of part A of title XII of the National Housing Act.

Ante, p. 558.

JOINT UNDERWRITING ASSOCIATION

SEC. 1206. (a) The Commissioner is authorized to establish by order a joint underwriting association if he finds, after notice and hearing, that such association is necessary to carry out the purposes of this title. Such joint underwriting association shall consist of all insurers licensed to write and engaged in writing in the District of Columbia, on a direct basis, such basic property insurance as may be designated by the Commissioner or any component thereof in multiperil policies.

(b) Every such insurer shall be and remain a member of the association and shall comply with all requirements of membership as a condition of its authority to transact such kinds of insurance in the District of Columbia, except that in lieu of revoking or suspending the certificate of authority of any company for any failure to comply with any of the requirements of membership, the Commissioner may subject such company to a penalty of not more than $200 for each such failure to so comply when in his judgment he finds that the public interest would be best served by the continued operation of the company in the District of Columbia.

Penalty for noncompliance.

(c) (1) Within sixty days following the effective date of the order of the Commissioner under this section the association shall submit to him a proposed plan of operation, consistent with the provisions of this title, which shall provide for economical, fair, and nondiscriminatory administration of the association and for the prompt and efficient provision of reinsurance, without regard to environmental hazards, for such basic property insurance as may be designated by the Commissioner. The plan of operation shall include provisions for—

(A) preliminary assessment of all members for initial expenses necessary to commence operations;

(B) establishment of necessary facilities;

(C) management and operation of the association;

(D) assessment of members to defray losses and expenses;

(E) commission arrangements;

(F) reasonable underwriting standards;

(G) assumption and cession of reinsurance; and

(H) such other matters as the Commissioner may designate.

(2) The plan of operation shall not take effect until approved by the Commissioner. If the Commissioner disapproves the proposed plan of operation (or any part thereof), he shall state the reasons for so doing, and the association shall within thirty days thereafter submit for his review an appropriately revised plan of operation. During such time, the Commissioner and the association shall consult regarding the disapproved plan or part thereof. If the association fails to submit a revised plan of operation, or if the revised plan so submitted is unacceptable to the Commissioner, the Commissioner shall promulgate a plan of operation.

(3) The association may, on its own initiative, amend such plan, subject to approval by the Commissioner, and shall amend such plan at the direction of the Commissioner if he finds such action is necessary to carry out the purposes of this title.

(d) All members of the association shall participate in its writings, expenses, profits, and losses, or in such categories thereof as may be separately established by the association, subject to approval by the Commissioner, in the proportion that the premiums written by each such member during the preceding calendar year bear to the aggregate premiums written in the District of Columbia by all members of the association, or in accordance with such other formula as the association may devise with the approval of the Commissioner. Such participation by each insurer in the association shall be determined annually on the basis of such premiums written during the preceding calendar year as disclosed in the annual statements and other reports filed by the insurer with the Commissioner.

(e) The association shall be governed by a board of eleven directors, elected annually by cumulative voting by the members of the association, whose votes in such election shall be weighted in accordance with the proportionate amount of each member's net direct premiums written in the District of Columbia during the preceding calendar year.

The first board shall be elected at a meeting of the members or their authorized representatives, which shall be held within thirty days after the effective date of the order under this section establishing the association, at a time and place designated by the Commissioner.

EXAMINATION BY COMMISSIONER

SEC. 1207. The operation of any inspection bureau, the Industry Placement Facility, and the joint underwriting association shall at all times be subject to the supervision and regulation of the Commissioner. The Commissioner shall have the power of visitation of and examination into such operations and free access to all the books, records, files, papers, and documents that relate to such operations, may summon and qualify witnesses under oath, and may examine directors, officers, agents, employees or, any other person having knowledge of such operations.

Access to records.

WAIVER OF LIABILITY

SEC. 1208. There shall be no liability on the part of, and no cause of action of any nature shall arise against, insurers, any inspection bureau, the Industry Placement Facility, the joint underwriting association, the agents or employees of such bureau, Facility, or association, or any officer or employee of the District of Columbia, for any statements made in good faith by them concerning the insurability of property (A) in any reports or other communications, (B) at the time of the hearings conducted in connection therewith, or (C) in the findings with respect thereto required by the provisions of this title. The reports and communications of any inspection bureau, the Industry Placement Facility, and the joint underwriting association with respect to individual properties shall not be open to inspection by, or otherwise available to, the public.

ANNUAL REPORTS BY JOINT UNDERWRITING ASSOCIATION

SEC. 1209. The joint underwriting association shall file with the Commissioner, annually on or before the 1st day of March, a statement which shall contain information with respect to its transactions, condition, operations, and affairs during the preceding year. Such statement shall contain such matters and information as are prescribed by the Commissioner and shall be in such form as is approved by him. The Commissioner may at any time require the association to furnish him with additional information with respect to its transactions, condition, or any matter connected therewith which he considers to be material and which will assist him in evaluating the scope, operation, and experience of the association.

APPEALS

SEC. 1210. (a) Any applicant for insurance and any affected insurer may appeal to the Commissioner within ninety days after any final ruling, action, or decision by or on behalf of any inspection bureau, the Industry Placement Facility, or the joint underwriting association, following exhaustion of remedies available within such bureau, Facility, or association.

(b) All final orders or decisions of the Commissioner made under this title shall be subject to review by the District of Columbia Court of Appeals under section 11–742 of the District of Columbia Code.

77 Stat. 485.

REIMBURSEMENT FOR REINSURANCE PROVIDED UNDER NATIONAL INSURANCE DEVELOPMENT PROGRAM

SEC. 1211. (a) In order to carry out the purposes of this title and to make available to insurers who participate hereunder the reinsurance afforded under part B of title XII of the National Housing Act against losses to property resulting from riots or civil disorders, the Commissioner is authorized to assess each insurance company authorized to do business in the District of Columbia an amount, in the proportion that the premiums earned by each such company in the District of Columbia, on lines reinsured in the District of Columbia by the Secretary of Housing and Urban Development, during the preceding calendar year bear to the aggregate premiums earned on those lines in the District of Columbia by all insurance companies, sufficient to provide a fund to reimburse the Secretary of Housing and Urban Development in the manner set forth in section 1223(a)(1) of such part B. Such fund may be added to or such fund may be created by moneys appropriated therefor by the Congress. Ante, p. 560.

(b) Insurers shall add to the premium rate an amount, to be approved by the Commissioner, sufficient to recover, within not more than three years, any amounts assessed under subsection (a) of this section during the preceding calendar year. Such amount shall be a separate charge to the insured in addition to the premium to be paid and shall be reflected as such in the policy of insurance. No commission shall be paid thereon to any agent or broker producing or selling the policy of insurance wherein such amount is added.

DELEGATION

SEC. 1212. The Commissioner is authorized to delegate any of the functions vested in him by this title.

JUDICIAL REVIEW

SEC. 1213. Section 11–742(a) of the District of Columbia Code is amended (1) by striking out "and" immediately following paragraph (10); (2) by striking out the period following paragraph (11) and inserting in lieu thereof "; and"; and (3) by adding at the end thereof the following new paragraph: 77 Stat. 485; 78 Stat. 633.

"(12) final orders and decisions of the Commissioner of the District of Columbia under the provisions of the District of Columbia Insurance Placement Act."

TITLE XIII—NATIONAL FLOOD INSURANCE

SHORT TITLE

SEC. 1301. This title may be cited as the "National Flood Insurance Act of 1968".

FINDINGS AND DECLARATION OF PURPOSE

SEC. 1302. (a) The Congress finds that (1) from time to time flood disasters have created personal hardships and economic distress which have required unforeseen disaster relief measures and have placed an increasing burden on the Nation's resources; (2) despite the installation of preventive and protective works and the adoption of other public programs designed to reduce losses caused by flood damage, these methods have not been sufficient to protect adequately against growing exposure to future flood losses; (3) as a matter of national policy, a reasonable method of sharing the risk of flood losses is

through a program of flood insurance which can complement and encourage preventive and protective measures; and (4) if such a program is initiated and carried out gradually, it can be expanded as knowledge is gained and experience is appraised, thus eventually making flood insurance coverage available on reasonable terms and conditions to persons who have need for such protection.

(b) The Congress also finds that (1) many factors have made it uneconomic for the private insurance industry alone to make flood insurance available to those in need of such protection on reasonable terms and conditions; but (2) a program of flood insurance with large-scale participation of the Federal Government and carried out to the maximum extent practicable by the private insurance industry is feasible and can be initiated.

(c) The Congress further finds that (1) a program of flood insurance can promote the public interest by providing appropriate protection against the perils of flood losses and encouraging sound land use by minimizing exposure of property to flood losses; and (2) the objectives of a flood insurance program should be integrally related to a unified national program for flood plain management and, to this end, it is the sense of Congress that within two years following the effective date of this title the President should transmit to the Congress for its consideration any further proposals necessary for such a unified program, including proposals for the allocation of costs among beneficiaries of flood protection.

Proposals transmitted to Congress.

(d) It is therefore the purpose of this title to (1) authorize a flood insurance program by means of which flood insurance, over a period of time, can be made available on a nationwide basis through the cooperative efforts of the Federal Government and the private insurance industry, and (2) provide flexibility in the program so that such flood insurance may be based on workable methods of pooling risks, minimizing costs, and distributing burdens equitably among those who will be protected by flood insurance and the general public.

(e) It is the further purpose of this title to (1) encourage State and local governments to make appropriate land use adjustments to constrict the development of land which is exposed to flood damage and minimize damage caused by flood losses, (2) guide the development of proposed future construction, where practicable, away from locations which are threatened by flood hazards, (3) encourage lending and credit institutions, as a matter of national policy, to assist in furthering the objectives of the flood insurance program, (4) assure that any Federal assistance provided under the program will be related closely to all flood-related programs and activities of the Federal Government, and (5) authorize continuing studies of flood hazards in order to provide for a constant reappraisal of the flood insurance program and its effect on land use requirements.

AMENDMENTS TO THE FEDERAL FLOOD INSURANCE ACT OF 1956

SEC. 1303. (a) The second sentence of section 15(e) of the Federal Flood Insurance Act of 1956 (79 Stat. 1078) is amended—

70 Stat. 1078.
42 USC 2414.

(1) by striking out "rate" the second time it appears in such sentence, and inserting in lieu thereof "market yield", and

(2) by striking out "as of the last day of", and inserting in lieu thereof "during".

(b) Section 15(e) of such Act is further amended by striking out the last sentence thereof.

Repeal.
42 USC 2401 et seq.

(c) Sections 2 through 14, subsections (a) through (d), and (f) and (g) of section 15, and sections 16 through 23 of such Act are hereby repealed.

CHAPTER I—THE NATIONAL FLOOD INSURANCE PROGRAM

BASIC AUTHORITY

SEC. 1304. (a) To carry out the purposes of this title, the Secretary of Housing and Urban Development is authorized to establish and carry out a national flood insurance program which will enable interested persons to purchase insurance against loss resulting from physical damage to or loss of real property or personal property related thereto arising from any flood occurring in the United States.

(b) In carrying out the flood insurance program the Secretary shall, to the maximum extent practicable, encourage and arrange for—

(1) appropriate financial participation and risk sharing in the program by insurance companies and other insurers, and

(2) other appropriate participation, on other than a risk-sharing basis, by insurance companies and other insurers, insurance agents and brokers, and insurance adjustment organizations,

in accordance with the provisions of chapter II. Post, p. 581.

SCOPE OF PROGRAM AND PRIORITIES

SEC. 1305. (a) In carrying out the flood insurance program the Secretary shall afford a priority to making flood insurance available to cover residential properties which are designed for the occupancy of from one to four families and business properties which are owned or leased and operated by small business concerns.

(b) If on the basis of—

(1) studies and investigations undertaken and carried out and information received or exchanged under section 1307, and

(2) such other information as may be necessary,

the Secretary determines that it would be feasible to extend the flood insurance program to cover other properties, he may take such action under this title as from time to time may be necessary in order to make flood insurance available to cover, on such basis as may be feasible, any types and classes of—

(A) other residential properties,

(B) other business properties,

(C) agricultural properties,

(D) properties occupied by private nonprofit organizations, and

(E) properties owned by State and local governments and agencies thereof,

and any such extensions of the program to any types and classes of these properties shall from time to time be prescribed in regulations.

(c) The Secretary shall make flood insurance available in only those States or areas (or subdivisions thereof) which he has determined have—

(1) evidenced a positive interest in securing flood insurance coverage under the flood insurance program, and

(2) given satisfactory assurance that by June 30, 1970, permanent land use and control measures will have been adopted for the State or area (or subdivision) which are consistent with the comprehensive criteria for land management and use developed under section 1361, and that the application and enforcement of such measures will commence as soon as technical information on floodways and on controlling flood elevations is available.

NATURE AND LIMITATION OF INSURANCE COVERAGE

SEC. 1306. (a) The Secretary shall from time to time, after consultation with the advisory committee authorized under section 1318, appropriate representatives of the pool formed or otherwise created under section 1331, and appropriate representatives of the insurance authorities of the respective States, provide by regulation for general terms and conditions of insurability which shall be applicable to properties eligible for flood insurance coverage under section 1305, including—

(1) the types, classes, and locations of any such properties which shall be eligible for flood insurance;

(2) the nature and limits of loss or damage in any areas (or subdivisions thereof) which may be covered by such insurance;

(3) the classification, limitation, and rejection of any risks which may be advisable;

(4) appropriate minimum premiums;

(5) appropriate loss-deductibles; and

(6) any other terms and conditions relating to insurance coverage or exclusion which may be necessary to carry out the purposes of this title.

(b) In addition to any other terms and conditions under subsection (a), such regulations shall provide that—

(1) any flood insurance coverage based on chargeable premium rates under section 1308 which are less than the estimated premium rates under section 1307(a)(1) shall not exceed—

(A) in the case of residential properties which are designed for the occupancy of from one to four families—

(i) $17,500 aggregate liability for any dwelling unit, and $30,000 for any single dwelling structure containing more than one dwelling unit, and

(ii) $5,000 aggregate liability per dwelling unit for any contents related to such unit;

(B) in the case of business properties which are owned or leased and operated by small business concerns, an aggregate liability with respect to any single structure, including any contents thereof related to premises of small business occupants (as that term is defined by the Secretary), which shall be equal to (i) $30,000 plus (ii) $5,000 multiplied by the number of such occupants and shall be allocated among such occupants (or among the occupant or occupants and the owner) under regulations prescribed by the Secretary; except that the aggregate liability for the structure itself may in no case exceed $30,000; and

(C) in the case of any other properties which may become eligible for flood insurance coverage under section 1305—

(i) $30,000 aggregate liability for any single structure, and

(ii) $5,000 aggregate liability per dwelling unit for any contents related to such unit in the case of residential properties, or per occupant (as that term is defined by the Secretary) for any contents related to the premises occupied in the case of any other properties; and

(2) any flood insurance coverage which may be made available in excess of any of the limits specified in subparagraph (A), (B), or (C) of paragraph (1) (or allocated to any person under subparagraph (B) of such paragraph) shall be based only on chargeable premium rates under section 1308 which are not less than the estimated premium rates under section 1307(a)(1), and the

amount of such excess coverage shall not in any case exceed an amount which is equal to the applicable limit so specified (or allocated).

ESTIMATES OF PREMIUM RATES

SEC. 1307. (a) The Secretary is authorized to undertake and carry out such studies and investigations and receive or exchange such information as may be necessary to estimate, and shall from time to time estimate, on an area, subdivision, or other appropriate basis—

(1) the risk premium rates for flood insurance which—

(A) based on consideration of the risk involved and accepted actuarial principles, and

(B) including—

(i) the applicable operating costs and allowances set forth in the schedules prescribed under section 1311 and reflected in such rates, and

(ii) any administrative expenses (or portion of such expenses) of carrying out the flood insurance program which, in his discretion, should properly be reflected in such rates,

would be required in order to make such insurance available on an actuarial basis for any types and classes of properties for which insurance coverage is available under section 1305(a) (or is recommended to the Congress under section 1305(b));

(2) the rates, if less than the rates estimated under paragraph (1), which would be reasonable, would encourage prospective insureds to purchase flood insurance, and would be consistent with the purposes of this title; and

(3) the extent, if any, to which federally assisted or other flood protection measures initiated after the date of the enactment of this title affect such rates.

(b) In carrying out subsection (a), the Secretary shall, to the maximum extent feasible and on a reimbursement basis, utilize the services of the Department of the Army, the Department of the Interior, the Department of Agriculture, the Department of Commerce, and the Tennessee Valley Authority, and, as appropriate, other Federal departments or agencies, and for such purposes may enter into agreements or other appropriate arrangements with any persons.

(c) The Secretary shall give priority to conducting studies and investigations and making estimates under this section in those States or areas (or subdivisions thereof) which he has determined have evidenced a positive interest in securing flood insurance coverage under the flood insurance program.

ESTABLISHMENT OF CHARGEABLE PREMIUM RATES

SEC. 1308. (a) On the basis of estimates made under section 1307 and such other information as may be necessary, the Secretary shall from time to time, after consultation with the advisory committee authorized under section 1318, appropriate representatives of the pool formed or otherwise created under section 1331, and appropriate representatives of the insurance authorities of the respective States, prescribe by regulation—

(1) chargeable premium rates for any types and classes of properties for which insurance coverage shall be available under section 1305 (at less than the estimated risk premium rates under section 1307(a)(1), where necessary), and

(2) the terms and conditions under which, and the areas (including subdivisions thereof) within which, such rates shall apply.

(b) Such rates shall, insofar as practicable, be—

(1) based on a consideration of the respective risks involved, including differences in risks due to land use measures, flood-proofing, flood forecasting, and similar measures.

(2) adequate, on the basis of accepted actuarial principles, to provide reserves for anticipated losses, or, if less than such amount, consistent with the objective of making flood insurance available where necessary at reasonable rates so as to encourage prospective insureds to purchase such insurance and with the purposes of this title, and

(3) stated so as to reflect the basis for such rates, including the differences (if any) between the estimated risk premium rates under section 1307(a)(1) and the estimated rates under section 1307(a)(2).

(c) Notwithstanding any other provision of this title, the chargeable rate with respect to any property, the construction or substantial improvement of which the Secretary determines has been started after the identification of the area in which such property is located has been published under paragraph (1) of section 1360, shall not be less than the applicable estimated risk premium rate for such area (or subdivision thereof) under section 1307(a)(1).

(d) In the event any chargeable premium rate prescribed under this section—

(1) is a rate which is not less than the applicable estimated risk premium rate under section 1307(a)(1), and

(2) includes any amount for administrative expenses of carrying out the flood insurance program which have been estimated under clause (ii) of section 1307(a)(1)(B),

a sum equal to such amount shall be paid to the Secretary, and he shall deposit such sum in the National Flood Insurance Fund established under section 1310.

FINANCING

SEC. 1309. (a) All authority which was vested in the Housing and Home Finance Administrator by virtue of section 15(e) of the Federal Flood Insurance Act of 1956 (70 Stat. 1084) (pertaining to the issue of notes or other obligations to the Secretary of the Treasury), as amended by subsections (a) and (b) of section 1303 of this Act, shall be available to the Secretary for the purpose of carrying out the flood insurance program under this title; except that the total amount of notes and obligations which may be issued by the Secretary pursuant to such authority shall not exceed $250,000,000, and all authority of the Secretary to issue notes and obligations under said section 15(e) beyond such sum is hereby rescinded.

42 USC 2414.

(b) Any funds borrowed by the Secretary under this authority shall, from time to time, be deposited in the National Flood Insurance Fund established under section 1310.

NATIONAL FLOOD INSURANCE FUND

SEC. 1310. (a) To carry out the flood insurance program authorized by this title, the Secretary is authorized to establish in the Treasury of the United States a National Flood Insurance Fund (hereinafter referred to as the "fund") which shall be available, without fiscal year limitation—

(1) for making such payments as may, from time to time, be required under section 1334;

(2) to pay reinsurance claims under the excess loss reinsurance coverage provided under section 1335;

(3) to repay to the Secretary of the Treasury such sums as may be borrowed from him (together with interest) in accordance with the authority provided in section 1309; and

(4) to pay such administrative expenses (or portion of such expenses) of carrying out the flood insurance program as he may deem necessary; and

(5) for the purposes specified in subsection (d) under the conditions provided therein.

(b) The fund shall be credited with—

(1) such funds borrowed in accordance with the authority provided in section 1309 as may from time to time be deposited in the fund;

(2) premiums, fees, or other charges which may be paid or collected in connection with the excess loss reinsurance coverage provided under section 1335;

(3) such amounts as may be advanced to the fund from appropriations in order to maintain the fund in an operative condition adequate to meet its liabilities;

(4) interest which may be earned on investments of the fund pursuant to subsection (c);

(5) such sums as are required to be paid to the Secretary under section 1308(d); and

(6) receipts from any other operations under this title (including premiums under the conditions specified in subsection (d), and salvage proceeds, if any, resulting from reinsurance coverage).

(c) If, after—

(1) all outstanding obligations of the fund have been liquidated, and

(2) any outstanding amounts which may have been advanced to the fund from appropriations authorized under section 1376 (a)(2)(B) have been credited to the appropriation from which advanced, with interest accrued at the rate prescribed under section 15(e) of the Federal Flood Insurance Act of 1956, as in effect immediately prior to the enactment of this title,

70 Stat. 1083.
42 USC 2414.

the Secretary determines that the moneys of the fund are in excess of current needs, he may request the investment of such amounts as he deems advisable by the Secretary of the Treasury in obligations issued or guaranteed by the United States.

Investment of moneys.

(d) In the event the Secretary makes a determination in accordance with the provisions of section 1340 that operation of the flood insurance program, in whole or in part, should be carried out through the facilities of the Federal Government, the fund shall be available for all purposes incident thereto, including—

(1) cost incurred in the adjustment and payment of any claims for losses, and

(2) payment of applicable operating costs set forth in the schedules prescribed under section 1311,

for so long as the program is so carried out, and in such event any premiums paid shall be deposited by the Secretary to the credit of the fund.

(e) An annual business-type budget for the fund shall be prepared, transmitted to the Congress, considered, and enacted in the manner prescribed by law (sections 102, 103, and 104 of the Government Corporation Control Act (31 U.S.C. 847–849)) for wholly-owned Government corporations.

59 Stat. 597;
61 Stat. 584.

OPERATING COSTS AND ALLOWANCES

SEC. 1311. (a) The Secretary shall from time to time negotiate with appropriate representatives of the insurance industry for the purpose of establishing—

(1) a current schedule of operating costs applicable both to risk-sharing insurance companies and other insurers and to insurance companies and other insurers, insurance agents and brokers, and insurance adjustment organizations participating on other than a risk-sharing basis, and

(2) a current schedule of operating allowances applicable to risk-sharing insurance companies and other insurers,

which may be payable in accordance with the provisions of chapter II, and such schedules shall from time to time be prescribed in regulations.

Post, p. 581.

(b) For purposes of subsection (a)—

"Operating costs."

(1) the term "operating costs" shall (without limiting such term) include—

(A) expense reimbursements covering the direct, actual, and necessary expenses incurred in connection with selling and servicing flood insurance coverage;

(B) reasonable compensation payable for selling and servicing flood insurance coverage, or commissions or service fees paid to producers;

(C) loss adjustment expenses; and

(D) other direct, actual, and necessary expenses which the Secretary finds are incurred in connection with selling or servicing flood insurance coverage; and

"Operating allowances."

(2) the term "operating allowances" shall (without limiting such term) include amounts for profit and contingencies which the Secretary finds reasonable and necessary to carry out the purposes of this title.

PAYMENT OF CLAIMS

SEC. 1312. The Secretary is authorized to prescribe regulations establishing the general method or methods by which proved and approved claims for losses may be adjusted and paid for any damage to or loss of property which is covered by flood insurance made available under the provisions of this title.

DISSEMINATION OF FLOOD INSURANCE INFORMATION

SEC. 1313. The Secretary shall from time to time take such action as may be necessary in order to make information and data available to the public, and to any State or local agency or official, with regard to—

(1) the flood insurance program, its coverage and objectives, and

(2) estimated and chargeable flood insurance premium rates, including the basis for and differences between such rates in accordance with the provisions of section 1308.

PROHIBITION AGAINST CERTAIN DUPLICATIONS OF BENEFITS

SEC. 1314. (a) Notwithstanding the provisions of any other law, no Federal disaster assistance shall be made available to any person—

(1) for the physical loss, destruction, or damage of real or personal property, to the extent that such loss, destruction, or damage is covered by a valid claim which may be adjusted and paid

under flood insurance made available under the authority of this title, or

(2) except in the situation provided for under subsection (b), for the physical loss, destruction, or damage of real or personal property, to the extent that such loss, destruction, or damage could have been covered by a valid claim under flood insurance which had been made available under the authority of this title, if—

(A) such loss, destruction, or damage occurred subsequent to one year following the date flood insurance was made available in the area (or subdivision thereof) in which such property or the major part thereof was located, and

(B) such property was eligible for flood insurance under this title at that date;

and in such circumstances the extent that such loss, destruction, or damage could have been covered shall be presumed (for purposes of this subsection) to be an amount not less than the maximum limit of insurable loss or damage applicable to such property in such area (or subdivision thereof), pursuant to regulations under section 1306, at the time insurance was made available in such area (or subdivision thereof).

(b) In order to assure that the provisions of subsection (a)(2) will not create undue hardship for low-income persons who might otherwise benefit from the provision of Federal disaster assistance, the Secretary shall provide by regulation for the circumstances in which the provisions of subsection (a)(2) shall not be applicable to any such persons.

(c) For purposes of this section, "Federal disaster assistance" shall include any Federal financial assistance which may be made available to any person as a result of— "Federal disaster assistance."

(1) a major disaster (within the meaning of that term as determined by the President pursuant to the Act entitled "An Act to authorize Federal assistance to State and local governments in major disasters, and for other purposes", as amended (42 U.S.C. 1855–1855g)), 64 Stat. 1109.

(2) a natural disaster, as determined by the Secretary of Agriculture pursuant to section 321 of the Consolidated Farmers Home Administration Act of 1961 (7 U.S.C. 1961), or 75 Stat. 311.

(3) a disaster with respect to which loans may be made under section 7(b) of the Small Business Act (15 U.S.C. 636(b)). 72 Stat. 389; 79 Stat. 206.

(d) For purposes of section 10 of the Disaster Relief Act of 1966 (80 Stat. 1320), the term "financial assistance" shall be deemed to include any flood insurance which is made available under this title. "Financial assistance." 42 USC 1855ff.

STATE AND LOCAL LAND USE CONTROLS

SEC. 1315. After June 30, 1970, no new flood insurance coverage shall be provided under this title in any area (or subdivision thereof) unless an appropriate public body shall have adopted permanent land use and control measures (with effective enforcement provisions) which the Secretary finds are consistent with the comprehensive criteria for land management and use under section 1361.

PROPERTIES IN VIOLATION OF STATE AND LOCAL LAW

SEC. 1316. No new flood insurance coverage shall be provided under this title for any property which the Secretary finds has been declared by a duly constituted State or local zoning authority, or other authorized public body, to be in violation of State or local laws, regulations, or ordinances which are intended to discourage or otherwise restrict land development or occupancy in flood-prone areas.

COORDINATION WITH OTHER PROGRAMS

SEC. 1317. In carrying out this title, the Secretary shall consult with other departments and agencies of the Federal Government, and with interstate, State, and local agencies having responsibilities for flood control, flood forecasting, or flood damage prevention, in order to assure that the programs of such agencies and the flood insurance program authorized under this title are mutually consistent.

ADVISORY COMMITTEE

SEC. 1318. (a) The Secretary shall appoint a flood insurance advisory committee without regard to the provisions of title 5, United States Code, governing appointments in the competitive service, and such committee shall advise the secretary in the preparation of any regulations prescribed in accordance with this title and with respect to policy matters arising in the administration of this title, and shall perform such other responsibilities as the Secretary may, from time to time, assign to such committee.

80 Stat. 408.
5 USC 2101 et seq.

(b) Such committee shall consist of not more than fifteen persons and such persons shall be selected from among representatives of—

(1) the insurance industry,
(2) State and local governments,
(3) lending institutions,
(4) the homebuilding industry, and
(5) the general public.

(c) Members of the committee shall, while attending conferences or meetings thereof, be entitled to receive compensation at a rate fixed by the Secretary but not exceeding $100 per day, including traveltime, and while so serving away from their homes or regular places of business they may be allowed travel expenses, including per diem in lieu of subsistence, as is authorized under section 5703 of title 5, United States Code, for persons in the Government service employed intermittently.

Compensation, travel expenses.

80 Stat. 499.

INITIAL PROGRAM LIMITATION

SEC. 1319. The face amount of flood insurance coverage outstanding and in force at any one time under this title shall not exceed the sum of $2,500,000,000.

REPORT TO THE PRESIDENT

SEC. 1320. The Secretary shall include a report of operations under this title in the annual report to the President for submission to the Congress required by section 8 of the Department of Housing and Urban Development Act.

79 Stat. 670.
42 USC 3536.

CHAPTER II—ORGANIZATION AND ADMINISTRATION OF THE FLOOD INSURANCE PROGRAM

ORGANIZATION AND ADMINISTRATION

SEC. 1330. Following such consultation with representatives of the insurance industry as may be necessary, the Secretary shall implement the flood insurance program authorized under chapter I in accordance with the provisions of part A of this chapter and, if a determination is made by him under section 1340, under part B of this chapter.

Ante, p.574; Post, pp. 582, 584.

PART A—INDUSTRY PROGRAM WITH FEDERAL FINANCIAL ASSISTANCE

INDUSTRY FLOOD INSURANCE POOL

SEC. 1331. (a) The Secretary is authorized to encourage and otherwise assist any insurance companies and other insurers which meet the requirements prescribed under subsection (b) to form, associate, or otherwise join together in a pool—

(1) in order to provide the flood insurance coverage authorized under chapter I; and Ante, p. 574.

(2) for the purpose of assuming, on such terms and conditions as may be agreed upon, such financial responsibility as will enable such companies and other insurers, with the Federal financial and other assistance available under this title, to assume a reasonable proportion of responsibility for the adjustment and payment of claims for losses under the flood insurance program.

(b) In order to promote the effective administration of the flood insurance program under this part, and to assure that the objectives of this title are furthered, the Secretary is authorized to prescribe appropriate requirements for insurance companies and other insurers participating in such pool including, but not limited to, minimum requirements for capital or surplus or assets.

AGREEMENTS WITH FLOOD INSURANCE POOL

SEC. 1332. (a) The Secretary is authorized to enter into such agreements with the pool formed or otherwise created under this part as he deems necessary to carry out the purposes of this title.

(b) Such agreements shall specify—

(1) the terms and conditions under which risk capital will be available for the adjustment and payment of claims,

(2) the terms and conditions under which the pool (and the companies and other insurers participating therein) shall participate in premiums received and profits or losses realized or sustained,

(3) the maximum amount of profit, established by the Secretary and set forth in the schedules prescribed under section 1311, which may be realized by such pool (and the companies and other insurers participating therein),

(4) the terms and conditions under which operating costs and allowances set forth in the schedules prescribed under section 1311 may be paid, and

(5) the terms and conditions under which premium equalization payments under section 1334 will be made and reinsurance claims under section 1335 will be paid.

(c) In addition, such agreements shall contain such provisions as the Secretary finds necessary to assure that—

(1) no insurance company or other insurer which meets the requirements prescribed under section 1331(b), and which has indicated an intention to participate in the flood insurance program on a risk-sharing basis, will be excluded from participating in the pool,

(2) the insurance companies and other insurers participating in the pool will take whatever action may be necessary to provide continuity of flood insurance coverage by the pool, and

(3) any insurance companies and other insurers, insurance agents and brokers, and insurance adjustment organizations will be permitted to cooperate with the pool as fiscal agents or otherwise, on other than a risk-sharing basis, to the maximum extent practicable.

ADJUSTMENT AND PAYMENT OF CLAIMS AND JUDICIAL REVIEW

SEC. 1333. The insurance companies and other insurers which form, associate, or otherwise join together in the pool under this part may adjust and pay all claims for proved and approved losses covered by flood insurance in accordance with the provisions of this title and, upon the disallowance by any such company or other insurer of any such claim, or upon the refusal of the claimant to accept the amount allowed upon any such claim, the claimant, within one year after the date of mailing of notice of disallowance or partial disallowance of the claim, may institute an action on such claim against such company or other insurer in the United States district court for the district in which the insured property or the major part thereof shall have been situated, and jurisdiction is hereby conferred upon such court to hear and determine such action without regard to the amount in controversy.

PREMIUM EQUALIZATION PAYMENTS

SEC. 1334. (a) The Secretary, on such terms and conditions as he may from time to time prescribe, shall make periodic payments to the pool formed or otherwise created under section 1331, in recognition of such reductions in chargeable premium rates under section 1308 below estimated premium rates under section 1307(a)(1) as are required in order to make flood insurance available on reasonable terms and conditions.

(b) Such payments shall be based only on the aggregate amount of flood insurance retained by the pool after ceding reinsurance in accordance with the provisions of section 1335, and shall not exceed an aggregate amount in any payment period equal to the sum of the following:

(1) an amount for losses which bears the same ratio to the amount of all proved and approved claims for losses under this title during any designated period as the amount equal to the difference between—

(A) the sum of all premium payments for flood insurance coverage in force under this title during such designated period which would have been payable during such period if all such coverage were based on estimated risk premium rates under section 1307(a)(1) (excluding any administrative expenses which may be reflected in such rates, as specified in clause (ii) of section 1307(a)(1)(B)), and

(B) the sum of the premium payments actually paid or payable for such insurance under this title during such period,

bears to the amount specified in clause (A); and

(2) subject to the terms and conditions specified in the agreements entered into with the pool under section 1332, a proportionate amount for appropriate operating costs and allowances (as set forth in the schedules prescribed under section 1311) during any designated period which bears the same ratio to the total amount of such operating costs and allowances during such period as the ratio specified in paragraph (1).

(c) Designated periods under this section and the methods for determining the sum of premiums paid or payable during such periods shall be established by the Secretary.

REINSURANCE COVERAGE

SEC. 1335. (a) The Secretary is authorized to take such action as may be necessary in order to make available, to the pool formed or otherwise created under section 1331, reinsurance for losses (due to claims for proved and approved losses covered by flood insurance)

which are in excess of losses assumed by such pool in accordance with the excess loss agreement entered into under subsection (c).

(b) Such reinsurance shall be made available pursuant to contract, agreement, or any other arrangement, in consideration of such payment of a premium, fee, or other charge as the Secretary finds necessary to cover anticipated losses and other costs of providing such reinsurance.

(c) The Secretary is authorized to negotiate an excess loss agreement, from time to time, under which the amount of flood insurance retained by the pool, after ceding reinsurance, shall be adequate to further the purposes of this title, consistent with the objective of maintaining appropriate financial participation and risk sharing to the maximum extent practicable on the part of participating insurance companies and other insurers.

(d) All reinsurance claims for losses in excess of losses assumed by the pool shall be submitted on a portfolio basis by such pool in accordance with terms and conditions established by the Secretary.

Part B—Government Program With Industry Assistance

Federal operation of the program

Sec. 1340. (a) If at any time, after consultation with representatives of the insurance industry, the Secretary determines that operation of the flood insurance program as provided under part A cannot be carried out, or that such operation, in itself, would be assisted materially by the Federal Government's assumption, in whole or in part, of the operational responsibility for flood insurance under this title (on a temporary or other basis) he shall promptly undertake any necessary arrangements to carry out the program of flood insurance authorized under chapter I through the facilities of the Federal Government, utilizing, for purposes of providing flood insurance coverage, either— Ante, p. 574.

(1) insurance companies and other insurers, insurance agents and brokers, and insurance adjustment organizations, as fiscal agents of the United States,

(2) officers and employees of the Department of Housing and Urban Development, and such other officers and employees of any executive agency (as defined in section 105 of title 5 of the United States Code) as the Secretary and the head of any such agency may from time to time, agree upon, on a reimbursement or other basis, or 80 Stat. 379.

(3) both the alternatives specified in paragraphs (1) and (2).

(b) Upon making the determination referred to in subsection (a), and at least thirty days prior to implementing the program of flood insurance authorized under chapter I through the facilities of the Federal Government, the Secretary shall make a report to the Congress and such report shall— Report to Congress.

(1) state the reasons for such determination,

(2) be supported by pertinent findings,

(3) indicate the extent to which it is anticipated that the insurance industry will be utilized in providing flood insurance coverage under the program, and

(4) contain such recommendations as the Secretary deems advisable.

Adjustment and payment of claims and judicial review

Sec. 1341. In the event the program is carried out as provided in section 1340, the Secretary shall be authorized to adjust and make payment of any claims for proved and approved losses covered by

flood insurance, and upon the disallowance by the Secretary of any such claim, or upon the refusal of the claimant to accept the amount allowed upon any such claim, the claimant, within one year after the date of mailing of notice of disallowance or partial disallowance by the Secretary, may institute an action against the Secretary on such claim in the United States district court for the district in which the insured property or the major part thereof shall have been situated, and jurisdiction is hereby conferred upon such court to hear and determine such action without regard to the amount in controversy.

U. S. district court, jurisdiction.

Part C—Provisions of General Applicability

services by insurance industry

Contract authority.

Sec. 1345. (a) In administering the flood insurance program under this chapter, the Secretary is authorized to enter into any contracts, agreements, or other appropriate arrangements which may, from time to time, be necessary for the purpose of utilizing, on such terms and conditions as may be agreed upon, the facilities and services of any insurance companies or other insurers, insurance agents and brokers, or insurance adjustment organizations; and such contracts, agreements, or arrangements may include provision for payment of applicable operating costs and allowances for such facilities and services as set forth in the schedules prescribed under section 1311.

(b) Any such contracts, agreements, or other arrangements may be entered into without regard to the provisions of section 3709 of the Revised Statutes (41 U.S.C. 5) or any other provision of law requiring competitive bidding.

use of insurance pool, companies, or other private organizations for certain payments

Sec. 1346. (a) In order to provide for maximum efficiency in the administration of the flood insurance program and in order to facilitate the expeditious payment of any Federal funds under such program, the Secretary may enter into contracts with pool formed or otherwise created under section 1331, or any insurance company or other private organization, for the purpose of securing performance by such pool, company, or organization of any or all of the following responsibilities:

(1) estimating and later determining any amounts of payments to be made;

(2) receiving from the Secretary, disbursing, and accounting for funds in making such payments;

(3) making such audits of the records of any insurance company or other insurer, insurance agent or broker, or insurance adjustment organization as may be necessary to assure that proper payments are made; and

(4) otherwise assisting in such manner as the contract may provide to further the purposes of this title.

(b) Any contract with the pool or an insurance company or other private organization under this section may contain such terms and conditions as the Secretary finds necessary or appropriate for carrying out responsibilities under subsection (a), and may provide for payment of any costs which the Secretary determines are incidental to carrying out such responsibilities which are covered by the contract.

(c) Any contract entered into under subsection (a) may be entered into without regard to section 3709 of the Revised Statute (41 U.S.C. 5) or any other provision of law requiring competitive bidding.

(d) No contract may be entered into under this section unless the Secretary finds that the pool, company, or organization will perform its obligations under the contract efficiently and effectively, and will meet such requirements as to financial responsibility, legal authority, and other matters as he finds pertinent.

(e)(1) Any such contract may require the pool, company, or organization or any of its officers or employees certifying payments or disbursing funds pursuant to the contract, or otherwise participating in carrying out the contact, to give surety bond to the United States in such amount as the Secretary may deem appropriate.

(2) No individual designated pursuant to a contract under this section to certify payments shall, in the absence of gross negligence or intent to defraud the United States, be liable with respect to any payment certified by him under this section.

(3) No officer disbursing funds shall in the absence of gross negligence or intent to defraud the United States, be liable with respect to any payment by him under this section if it was based upon a voucher signed by an individual designated to certify payments as provided in paragraph (2) of this subsection.

(f) Any contract entered into under this section shall be for a term of one year, and may be made automatically renewable from term to term in the absence of notice by either party of an intention to terminate at the end of the current term; except that the Secretary may terminate any such contract at any time (after reasonable notice to the pool, company, or organization involved) if he finds that the pool, company, or organization has failed substantially to carry out the contract, or is carrying out the contract in a manner inconsistent with the efficient and effective administration of the flood insurance program authorized under this title.

SETTLEMENT AND ARBITRATION

SEC. 1347. (a) The Secretary is authorized to make final settlement of any claims or demands which may arise as a result of any financial transactions which he is authorized to carry out under this chapter, and may, to assist him in making any such settlement, refer any disputes relating to such claims or demands to arbitration, with the consent of the parties concerned.

(b) Such arbitration shall be advisory in nature, and any award, decision, or recommendation which may be made shall become final only upon the approval of the Secretary.

RECORDS AND AUDITS

SEC. 1348. (a) The flood insurance pool formed or otherwise created under part A of this chapter, and any insurance company or other private organization executing any contract, agreement, or other appropriate arrangement with the Secretary under part B of this chapter or this part, shall keep such records as the Secretary shall prescribe, including records which fully disclose the total costs of the program undertaken or the services being rendered, and such other records as will facilitate an effective audit.

Ante, p. 582.
Ante, p. 584.

(b) The Secretary and the Comptroller General of the United States, or any of their duly authorized representatives, shall have access for the purpose of audit and examination to any books, documents, papers, and records of the pool and any such insurance company or other private organization that are pertinent to the costs of the program undertaken or the services being rendered.

Access to records for audit.

CHAPTER III—COORDINATION OF FLOOD INSURANCE WITH LAND-MANAGEMENT PROGRAMS IN FLOOD-PRONE AREAS

IDENTIFICATION OF FLOOD-PRONE AREAS

Contract authority.

SEC. 1360. The Secretary is authorized to consult with, receive information from, and enter into any agreements or other arrangements with the Secretaries of the Army, the Interior, Agriculture, and Commerce, the Tennessee Valley Authority, and the heads of other Federal departments or agencies, on a reimbursement basis, or with the head of any State or local agency, or enter into contracts with any persons or private firms, in order that he may—

Publication of information.

(1) identify and publish information with respect to all flood plain areas, including coastal areas located in the United States, which have special flood hazards, within five years following the date of the enactment of this Act, and

Flood-risk zones.

(2) establish flood-risk zones in all such areas, and make estimates with respect to the rates of probable flood-caused loss for the various flood-risk zones for each of these areas, within fifteen years following such date.

CRITERIA FOR LAND MANAGEMENT AND USE

SEC. 1361. (a) The Secretary is authorized to carry out studies and investigations, utilizing to the maximum extent practicable the existing facilities and services of other Federal departments or agencies, and State and local governmental agencies, and any other organizations, with respect to the adequacy of State and local measures in flood-prone areas as to land management and use, flood control, flood zoning, and flood damage prevention, and may enter into any contracts, agreements, or other appropriate arrangements to carry out such authority.

(b) Such studies and investigations shall include, but not be limited to, laws, regulations, or ordinances relating to encroachments and obstructions on stream channels and floodways, the orderly development and use of flood plains of rivers or streams, floodway encroachment lines, and flood plain zoning, building codes, building permits, and subdivision or other building restrictions.

(c) On the basis of such studies and investigations, and such other information as he deems necessary, the Secretary shall from time to time develop comprehensive criteria designed to encourage, where necessary, the adoption of permanent State and local measures which, to the maximum extent feasible, will—

(1) constrict the development of land which is exposed to flood damage where appropriate,

(2) guide the development of proposed construction away from locations which are threatened by flood hazards,

(3) assist in reducing damage caused by floods, and

(4) otherwise improve the long-range land management and use of flood-prone areas,

and he shall work closely with and provide any necessary technical assistance to State, interstate, and local governmental agencies, to encourage the application of such criteria and the adoption and enforcement of such measures.

PURCHASE OF CERTAIN INSURED PROPERTIES

SEC. 1362. The Secretary may, when he determines that the public interest would be served thereby, enter into negotiations with any owner of real property or interest therein which—

(1) was located in any flood-risk area, as determined by the Secretary,

(2) was covered by flood insurance under the flood insurance program authorized under this title, and

(3) was damaged substantially beyond repair by flood while so covered,

and may purchase such property or interests therein, for subsequent transfer, by sale, lease, donation, or otherwise, to any State or local agency which enters into an agreement with the Secretary that such property shall, for a period not less than forty years following transfer, be used for only such purposes as the Secretary may, by regulation, determine to be consistent with sound land management and use in such area.

CHAPTER IV—APPROPRIATIONS AND MISCELLANEOUS PROVISIONS

DEFINITIONS

SEC. 1370. As used in this title—

(1) the term "flood" shall have such meaning as may be prescribed in regulations of the Secretary, and may include inundation from rising waters or from the overflow of streams, rivers, or other bodies of water, or from tidal surges, abnormally high tidal water, tidal waves, tsunamis, hurricanes, or other severe storms or deluge;

(2) the terms "United States" (when used in a geographic sense) and "State" includes the several States, the District of Columbia, the territories and possessions, the Commonwealth of Puerto Rico, and the Trust Territory of the Pacific Islands;

(3) the terms "insurance company", "other insurer" and "insurance agent or broker" include any organizations and persons authorized to engage in the insurance business under the laws of any State;

(4) the term "insurance adjustment organization" includes any organizations and persons engaged in the business of adjusting loss claims arising under insurance policies issued by any insurance company or other insurer;

(5) the term "person" includes any individual or group of individuals, corporation, partnership, association, or any other organized group of persons, including State and local governments and agencies thereof; and

(6) the term "Secretary" means the Secretary of Housing and Urban Development.

STUDIES OF OTHER NATURAL DISASTERS

SEC. 1371. (a) The Secretary is authorized to undertake such studies as may be necessary for the purpose of determining the extent to which insurance protection against earthquakes or any other natural disaster perils, other than flood, is not available from public or private sources, and the feasibility of such insurance protection being made available.

(b) Studies under this section shall be carried out, to the maximum extent practicable, with the cooperation of other Federal departments and agencies and State and local agencies, and the Secretary is

authorized to consult with, receive information from, and enter into any necessary agreements or other arrangements with such other Federal departments and agencies (on a reimbursement basis) and such State and local agencies.

PAYMENTS

SEC. 1372. Any payments under this title may be made (after necessary adjustment on account of previously made underpayments or overpayments) in advance or by way of reimbursement, and in such installments and on such conditions, as the Secretary may determine.

GOVERNMENT CORPORATION CONTROL ACT

59 Stat. 597.
31 USC 841 note.

SEC. 1373. The provisions of the Government Corporation Control Act shall apply to the program authorized under this title to the same extent as they apply to wholly owned Government corporations.

FINALITY OF CERTAIN FINANCIAL TRANSACTIONS

SEC. 1374. Notwithstanding the provisions of any other law—

(1) any financial transaction authorized to be carried out under this title, and

(2) any payment authorized to be made or to be received in connection with any such financial transaction,

shall be final and conclusive upon all officers of the Government.

ADMINISTRATIVE EXPENSES

SEC. 1375. Any administrative expenses which may be sustained by the Federal Government in carrying out the flood insurance program authorized under this title may be paid out of appropriated funds.

APPROPRIATIONS

SEC. 1376. (a) There are hereby authorized to be appropriated such sums as may from time to time be necessary to carry out this title, including sums—

(1) to cover administrative expenses authorized under section 1375;

(2) to reimburse the National Flood Insurance Fund established under section 1310 for— Ante, p. 577.

(A) premium equalization payments under section 1334 which have been made from such fund; and

(B) reinsurance claims paid under the excess loss reinsurance coverage provided under section 1335; and

(3) to make such other payments as may be necessary to carry out the purposes of this title.

(b) All such funds shall be available without fiscal year limitation.

EFFECTIVE DATE

SEC. 1377. This title shall take effect one hundred and twenty days following the date of its enactment, except that the Secretary, on the basis of a finding that conditions exist necessitating the prescribing of an additional period, may prescribe a later effective date which in no event shall be more than one hundred and eighty days following such date of enactment.

TITLE XIV—INTERSTATE LAND SALES

SHORT TITLE

SEC. 1401. This title may be cited as the "Interstate Land Sales Full Disclosure Act".

DEFINITIONS

SEC. 1402. For the purposes of this title, the term—

(1) "Secretary" means the Secretary of Housing and Urban Development;

(2) "person" means an individual, or an unincorporated organization, partnership, association, corporation, trust, or estate;

(3) "subdivision" means any land which is divided or proposed to be divided into fifty or more lots, whether contiguous or not, for the purpose of sale or lease as part of a common promotional plan and where subdivided land is offered for sale or lease by a single developer, or a group of developers acting in concert, and such land is contiguous or is known, designated, or advertised as a common unit or by a common name such land shall be presumed, without regard to the number of lots covered by each individual offering, as being offered for sale or lease as part of a common promotional plan;

(4) "developer" means any person who, directly or indirectly, sells or leases, or offers to sell or lease, or advertises for sale or lease any lots in a subdivision;

(5) "agent" means any person who represents, or acts for or on behalf of, a developer in selling or leasing, or offering to sell or lease, any lot or lots in a subdivision; but shall not include an attorney at law whose representation of another person consists solely of rendering legal services;

(6) "blanket encumbrance" means a trust deed, mortgage, judgment, or any other lien or encumbrance, including an option or contract to sell or a trust agreement, affecting a subdivision or affecting more than one lot offered within a subdivision, except that such term shall not include any lien or other encumbrance arising as the result of the imposition of any tax assessment by any public authority;

(7) "interstate commerce" means trade or commerce among the several States;

(8) "State" includes the several States, the District of Columbia, the Commonwealth of Puerto Rico, and the territories and possessions of the United States;

(9) "purchaser" means an actual or prospective purchaser or lessee of any lot in a subdivision;

(10) "offer" includes any inducement, solicitation, or attempt to encourage a person to acquire a lot in a subdivision.

EXEMPTIONS

SEC. 1403. (a) Unless the method of disposition is adopted for the purpose of evasion of this title, the provisions of this title shall not apply to—

(1) the sale or lease of real estate not pursuant to a common promotional plan to offer or sell fifty or more lots in a subdivision;

(2) the sale or lease of lots in a subdivision, all of which are five acres or more in size;

(3) the sale or lease of any improved land on which there is a residential, commercial, or industrial building, or to the sale or

lease of land under a contract obligating the seller to erect such a building thereon within a period of two years;

(4) the sale or lease of real estate under or pursuant to court order;

(5) the sale of evidences of indebtedness secured by a mortgage or deed of trust on real estate;

(6) the sale of securities issued by a real estate investment trust;

(7) the sale or lease of real estate by any government or government agency;

(8) the sale or lease of cemetery lots;

(9) the sale or lease of lots to any person who acquires such lots for the purpose of engaging in the business of constructing residential, commercial, or industrial buildings or for the purpose of resale or lease of such lots to persons engaged in such business; or

(10) the sale or lease of real estate which is free and clear of all liens, encumbrances, and adverse claims if each and every purchaser or his or her spouse has personally inspected the lot which he purchased and if the developer executes a written affirmation to that effect to be made a matter of record in accordance with rules and regulations of the Secretary. As used in this subparagraph, the terms "liens," "encumbrances," and "adverse claims" are not intended to refer to property reservations which land developers commonly convey or dedicate to local bodies or public utilities for the purpose of bringing public services to the land being developed nor to taxes and assessments which, under applicable State or local law, constitute liens on the property before they are due and payable.

(b) The Secretary may from time to time, pursuant to rules and regulations issued by him, exempt from any of the provisions of this title any subdivision or any lots in a subdivision, if he finds that the enforcement of this title with respect to such subdivision or lots is not necessary in the public interest and for the protection of purchasers by reason of the small amount involved or the limited character of the public offering.

PROHIBITIONS RELATING TO THE SALE OR LEASE OF LOTS IN SUBDIVISIONS

SEC. 1404. (a) It shall be unlawful for any developer or agent, directly or indirectly, to make use of any means or instruments of transportation or communication in interstate commerce, or of the mails—

(1) to sell or lease any lot in any subdivision unless a statement of record with respect to such lot is in effect in accordance with section 1407 and a printed property report, meeting the requirements of section 1408, is furnished to the purchaser in advance of the signing of any contract or agreement for sale or lease by the purchaser; and

(2) in selling or leasing, or offering to sell or lease, any lot in a subdivision—

(A) to employ any device, scheme, or artifice to defraud, or

(B) to obtain money or property by means of a material misrepresentation with respect to any information included in the statement of record or the property report or with respect to any other information pertinent to the lot or the subdivision and upon which the purchaser relies, or

(C) to engage in any transaction, practice, or course of business which operates or would operate as a fraud or deceit upon a purchaser.

(b) Any contract or agreement for the purchase or leasing of a lot in a subdivision covered by this title, where the property report has not been given to the purchaser in advance or at the time of his signing, shall be voidable at the option of the purchaser. A purchaser may revoke such contract or agreement within forty-eight hours, where he has received the property report less than forty-eight hours before he signed the contract or agreement, and the contract or agreement shall so provide, except that the contract or agreement may stipulate that the foregoing revocation authority shall not apply in the case of a purchaser who (1) has received the property report and inspected the lot to be purchased or leased in advance of signing the contract or agreement, and (2) acknowledges by his signature that he has made such inspection and has read and understood such report.

REGISTRATION OF SUBDIVISIONS

SEC. 1405. (a) A subdivision may be registered by filing with the Secretary a statement of record, meeting the requirements of this title and such rules and regulations as may be prescribed by the Secretary in furtherance of the provisions of this title. A statement of record shall be deemed effective only as to the lots specified therein. Statement of record.

(b) At the time of filing a statement of record, or any amendment thereto, the developer shall pay to the Secretary a fee, not in excess of $1,000, in accordance with a schedule to be fixed by the regulations of the Secretary, which fees may be used by the Secretary to cover all or part of the cost of rendering services under this title, and such expenses as are paid from such fees shall be considered non-administrative. Fees.

(c) The filing with the Secretary of a statement of record, or of an amendment thereto, shall be deemed to have taken place upon the receipt thereof, accompanied by payment of the fee required by subsection (b).

(d) The information contained in or filed with any statement of record shall be made available to the public under such regulations as the Secretary may prescribe and copies thereof shall be furnished to every applicant at such reasonable charge as the Secretary may prescribe. Information available to public.

INFORMATION REQUIRED IN STATEMENT OF RECORD

SEC. 1406. The statement of record shall contain the information and be accompanied by the documents specified hereinafter in this section—

(1) the name and address of each person having an interest in the lots in the subdivision to be covered by the statement of record and the extent of such interest;

(2) a legal description of, and a statement of the total area included in, the subdivision and a statement of the topography thereof, together with a map showing the division proposed and the dimensions of the lots to be covered by the statement of record and their relation to existing streets and roads;

(3) a statement of the condition of the title to the land comprising the subdivision, including all encumbrances and deed restrictions and covenants applicable thereto;

(4) a statement of the general terms and conditions, including the range of selling prices or rents at which it is proposed to dispose of the lots in the subdivision;

(5) a statement of the present condition of access to the subdivision, the availability of sewage disposal facilities and other public utilities (including water, electricity, gas, and telephone facilities) in the subdivision, the proximity in miles of the subdivision to nearby municipalities, and the nature of any improvements to be installed by the developer and his estimated schedule for completion;

(6) in the case of any subdivision or portion thereof against which there exists a blanket encumbrance, a statement of the consequences for an individual purchaser of a failure, by the person or persons bound, to fulfill obligations under the instrument or instruments creating such encumbrance and the steps, if any, taken to protect the purchaser in such eventuality;

(7) (A) copy of its articles of incorporation, with all amendments thereto, if the developer is a corporation; (B) copies of all instruments by which the trust is created or declared, if the developer is a trust; (C) copies of its articles of partnership or association and all other papers pertaining to its organization, if the developer is a partnership, unincorporated association, joint stock company, or any other form of organization; and (D) if the purported holder of legal title is a person other than developer, copies of the above documents for such person;

(8) copies of the deed or other instrument establishing title to the subdivision in the developer or other person and copies of any instrument creating a lien or encumbrance upon the title of developer or other person or copies of the opinion or opinions of counsel in respect to the title to the subdivision in the developer or other person or copies of the title insurance policy guaranteeing such title;

(9) copies of all forms of conveyance to be used in selling or leasing lots to purchasers;

(10) copies of instruments creating easements or other restrictions;

(11) such certified and uncertified financial statements of the developer as the Secretary may require; and

(12) such other information and such other documents and certifications as the Secretary may require as being reasonably necessary or appropriate for the protection of purchasers.

TAKING EFFECT OF STATEMENTS OF RECORD AND AMENDMENTS THERETO

SEC. 1407. (a) Except as hereinafter provided, the effective date of a statement of record, or any amendment thereto, shall be the thirtieth day after the filing thereof or such earlier date as the Secretary may determine, having due regard to the public interest and the protection of purchasers. If any amendment to any such statement is filed prior to the effective date of the statement, the statement shall be deemed to have been filed when such amendment was filed; except that such an amendment filed with the consent of the Secretary, or filed pursuant to an order of the Secretary, shall be treated as being filed as of the date of the filing of the statement of record. When a developer records additional lands to be offered for disposition, he may consolidate the subsequent statement of record with any earlier recording offering subdivided land for disposition under the same promotional plan. At the time of consolidation the developer shall include in the consolidated statement of record any material changes in the information contained in the earlier statement.

(b) If it appears to the Secretary that a statement of record, or any amendment thereto, is on its face incomplete or inaccurate in any material respect, the Secretary shall so advise the developer within a

reasonable time after the filing of the statement or the amendment, but prior to the date the statement or amendment would otherwise be effective. Such notification shall serve to suspend the effective date of the statement or the amendment until thirty days after the developer files such additional information as the Secretary shall require. Any developer, upon receipt of such notice, may request a hearing, and such hearing shall be held within twenty days of receipt of such request by the Secretary.

(c) If, at any time subsequent to the effective date of a statement of record, a change shall occur affecting any material fact required to be contained in the statement, the developer shall promptly file an amendment thereto. Upon receipt of any such amendment, the Secretary may, if he determines such action to be necessary or appropriate in the public interest or for the protection of purchasers, suspend the statement of record until the amendment becomes effective.

(d) If it appears to the Secretary at any time that a statement of record, which is in effect, includes any untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein not misleading, the Secretary may, after notice, and after opportunity for hearing (at a time fixed by the Secretary) within fifteen days after such notice, issue an order suspending the statement of record. When such statement has been amended in accordance with such order, the Secretary shall so declare and thereupon the order shall cease to be effective.

Access to records, etc.

(e) The Secretary is hereby empowered to make an examination in any case to determine whether an order should issue under subsection (d). In making such examination, the Secretary or anyone designated by him shall have access to and may demand the production of any books and papers of, and may administer oaths and affirmations to and examine, the developer, any agents, or any other person, in respect of any matter relevant to the examination. If the developer or any agents shall fail to cooperate, or shall obstruct or refuse to permit the making of an examination, such conduct shall be proper ground for the issuance of an order suspending the statement of record.

(f) Any notice required under this section shall be sent to or served on the developer or his authorized agent.

INFORMATION REQUIRED IN PROPERTY REPORT

SEC. 1408. (a) A property report relating to the lots in a subdivision shall contain such of the information contained in the statement of record, and any amendments thereto, as the Secretary may deem necessary, but need not include the documents referred to in paragraphs (7) to (11), inclusive, of section 1406. A property report shall also contain such other information as the Secretary may by rules or regulations require as being necessary or appropriate in the public interest or for the protection of purchasers.

(b) The property report shall not be used for any promotional purposes before the statement of record becomes effective and then only if it is used in its entirety. No person may advertise or represent that the Secretary approves or recommends the subdivision or the sale or lease of lots therein. No portion of the property report shall be underscored, italicized, or printed in larger or bolder type than the balance of the statement unless the Secretary requires or permits it.

COOPERATION WITH STATE AUTHORITIES

SEC. 1409. (a) In administering this title, the Secretary shall cooperate with State authorities charged with the responsibility of regulating the sale of lots in subdivisions which are also subject to this title and may accept for filing under section 1405 and declare effective

as a statement of record, if he finds such action to be appropriate in the public interest or for the protection of purchasers, material filed with and found acceptable by such authorities.

(b) Nothing in this title shall affect the jurisdiction of the real estate commission (or any agency or office performing like functions) of any State over any subdivision or any person.

CIVIL LIABILITIES

SEC. 1410. (a) Where any part of the statement of record, when such part became effective, contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein, any person acquiring a lot in the subdivision covered by such statement of record from the developer or his agent during such period the statement remained uncorrected (unless it is proved that at the time of such acquisition he knew of such untruth or omission) may, either at law or in equity, in any court of competent jurisdiction, sue the developer.

(b) Any developer or agent, who sells or leases a lot in a subdivision—

(1) in violation of section 1404, or

(2) by means of a property report which contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein, may be sued by the purchaser of such lot.

(c) The suit authorized under subsection (a) or (b) may be to recover such damages as shall represent the difference between the amount paid for the lot and the reasonable cost of any improvements thereto, and the lesser of (1) the value thereof as of the time such suit was brought, or (2) the price at which such lot shall have been disposed of in a bona fide market transaction before suit, or (3) the price at which such lot shall have been disposed of after suit in a bona fide market transaction but before judgment.

(d) Every person who becomes liable to make any payment under this section may recover contribution as in cases of contract from any person who, if sued separately, would have been liable to make the same payment.

(e) In no case shall the amount recoverable under this section exceed the sum of the purchase price of the lot, the reasonable cost of improvements, and reasonable court costs.

COURT REVIEW OF ORDERS

SEC. 1411. (a) Any person, aggrieved by an order or determination of the Secretary issued after a hearing, may obtain a review of such order or determination in the court of appeals of the United States, within any circuit wherein such person resides or has his principal place of business, or in the United States Court of Appeals for the District of Columbia, by filing in such court, within sixty days after the entry of such order or determination, a written petition praying that the order or determination of the Secretary be modified or be set aside in whole or in part. A copy of such petition shall be forthwith transmitted by the clerk of the court to the Secretary, and thereupon the Secretary shall file in the court the record upon which the order or determination complained of was entered, as provided in section 2112 of title 28, United States Code. No objection to an order or determination of the Secretary shall be considered by the court unless such objection shall have been urged before the Secretary. The finding of the Secretary as to the facts, if supported by substantial evidence, shall be conclusive. If either party shall apply to the court for leave

72 Stat. 941.

to adduce additional evidence, and shall show to the satisfaction of the court that such additional evidence is material and that there were reasonable grounds for failure to adduce such evidence in the hearing before the Secretary, the court may order such additional evidence to be taken before the Secretary and to be adduced upon a hearing in such manner and upon such terms and conditions as to the court may seem proper. The Secretary may modify his findings as to the facts by reason of the additional evidence so taken, and shall file such modified or new findings, which, if supported by substantial evidence, shall be conclusive, and his recommendation, if any, for the modification or setting aside of the original order. Upon the filing of such petition, the jurisdiction of the court shall be exclusive and its judgment and decree, affirming, modifying, or setting aside, in whole or in part, any order of the Secretary, shall be final, subject to review by the Supreme Court of the United States upon certiorari or certification as provided in section 1254 of title 28, United States Code. 62 Stat. 928.

Modification of findings.

(b) The commencement of proceedings under subsection (a) shall not, unless specifically ordered by the court, operate as a stay of the Secretary's order.

LIMITATION OF ACTIONS

SEC. 1412. No action shall be maintained to enforce any liability created under section 1410(a) or (b)(2) unless brought within one year after the discovery of the untrue statement or the omission, or after such discovery should have been made by the exercise of reasonable diligence, or, if the action is to enforce a liability created under section 1401(b)(1), unless brought within two years after the violation upon which it is based. In no event shall any such action be brought by a purchaser more than three years after the sale or lease to such purchaser.

CONTRARY STIPULATIONS VOID

SEC. 1413. Any condition, stipulation, or provision binding any person acquiring any lot in a subdivision to waive compliance with any provision of this title or of the rules and regulations of the Secretary shall be void.

ADDITIONAL REMEDIES

SEC. 1414. The rights and remedies provided by this title shall be in addition to any and all other rights and remedies that may exist at law or in equity.

INVESTIGATIONS, INJUNCTIONS, AND PROSECUTION OF OFFENSES

SEC. 1415. (a) Whenever it shall appear to the Secretary that any person is engaged or about to engage in any acts or practices which constitute or will constitute a violation of the provisions of this title, or of any rule or regulation prescribed pursuant thereto, he may, in his discretion, bring an action in any district court of the United States, or the United States District Court for the District of Columbia to enjoin such acts or practices, and, upon a proper showing, a permanent or temporary injunction or restraining order shall be granted without bond. The Secretary may transmit such evidence as may be available concerning such acts or practices to the Attorney General who may, in his discretion, institute the appropriate criminal proceedings under this title.

(b) The Secretary may, in his discretion, make such investigations as he deems necessary to determine whether any person has violated or is about to violate any provision of this title or any rule or regulation prescribed pursuant thereto, and may require or permit any

Investigation authority.

person to file with him a statement in writing, under oath or otherwise as the Secretary shall determine, as to all the facts and circumstances concerning the matter to be investigated. The Secretary is authorized, in his discretion, to publish information concerning any such violations, and to investigate any facts, conditions, practices, or matters which he may deem necessary or proper to aid in the enforcement of the provisions of this title, in the prescribing of rules and regulations thereunder, or in securing information to serve as a basis for recommending further legislation concerning the matters to which this title relates.

Publication of information.

(c) For the purpose of any such investigation, or any other proceeding under this title, the Secretary, or any officer designated by him, is empowered to administer oaths and affirmations, subpena witnesses, compel their attendance, take evidence, and require the production of any books, papers, correspondence, memorandums, or other records which the Secretary deems relevant or material to the inquiry. Such attendance of witnesses and the production of any such records may be required from any place in the United States or any State at any designated place of hearing.

Subpena power.

(d) In case of contumacy by, or refusal to obey a subpena issued to, any person, the Secretary may invoke the aid of any court of the United States within the jurisdiction of which such investigation or proceeding is carried on, or where such person resides or carries on business, in requiring the attendance and testimony of witnesses and the production of books, papers, correspondence, memorandums, and other records and documents. And such court may issue an order requiring such person to appear before the Secretary or any officer designated by the Secretary, there to produce records, if so ordered, or to give testimony touching the matter under investigation or in question; and any failure to obey such order of the court may be punished by such court as a contempt thereof. All process in any such case may be served in the judicial district whereof such person is an inhabitant or wherever he may be found.

Court order requiring attendance and testimony of witnesses.

(e) No person shall be excused from attending and testifying or from producing books, papers, correspondence, memorandums, and other records and documents before the Secretary, or in obedience to the subpena of the Secretary or any officer designated by him, or in any cause or proceeding instituted by the Secretary, on the ground that the testimony or evidence, documentary or otherwise, required of him may tend to incriminate him or subject him to a penalty or forfeiture; but no individual shall be prosecuted or subject to any penalty or forfeiture for or on account of any transaction, matter, or thing concerning which he is compelled, after having claimed his privilege against self-incrimination, to testify or produce evidence, documentary or otherwise, except that such individual so testifying shall not be exempt from prosecution and punishment for perjury committed in so testifying.

ADMINISTRATION

SEC. 1416. (a) The authority and responsibility for administering this title shall be in the Secretary of Housing and Urban Development who may delegate any of his functions, duties, and powers to employees of the Department of Housing and Urban Development or to boards of such employees, including functions, duties, and powers with respect to investigating, hearing, determining, ordering, or otherwise acting as to any work, business, or matter under this title. The persons to whom such delegations are made with respect to hearing functions, duties, and powers shall be appointed and shall serve in the

Department in compliance with sections 3105, 3344, 5362, and 7521 of title 5 of the United States Code. The Secretary shall by rule prescribe such rights of appeal from the decisions of his hearing examiners to other hearing examiners or to other officers in the Department, to boards of officers or to himself, as shall be appropriate and in accordance with law. 80 Stat. 415-528.

(b) All hearings shall be public and appropriate records thereof shall be kept, and any order issued after such hearing shall be based on the record made in such hearing which shall be conducted in accordance with the provisions of the Administrative Procedure Act. Records of hearings. 60 Stat. 237. 5 USC 551 et seq.

UNLAWFUL REPRESENTATIONS

SEC. 1417. The fact that a statement of record with respect to a subdivision has been filed or is in effect shall not be deemed a finding by the Secretary that the statement of record is true and accurate on its face, or be held to mean the Secretary has in any way passed upon the merits of, or given approval to, such subdivision. It shall be unlawful to make, or cause to be made, to any prospective purchaser any representation contrary to the foregoing.

PENALTIES

SEC. 1418. Any person who willfully violates any of the provisions of this title or the rules and regulations prescribed pursuant thereto, or any person who willfully, in a statement of record filed under, or in a property report issued pursuant to, this title, makes any untrue statement of a material fact or omits to state any material fact required to be stated therein, shall upon conviction be fined not more than $5,000 or imprisoned not more than five years, or both.

RULES, REGULATIONS, AND ORDERS

SEC. 1419. The Secretary shall have authority from time to time to make, issue, amend, and rescind such rules and regulations and such orders as are necessary or appropriate to the exercise of the functions and powers conferred upon him elsewhere in this title. For the purpose of his rules and regulations, the Secretary may classify persons and matters within his jurisdiction and prescribe different requirements for different classes of persons or matters.

JURISDICTION OF OFFENSES AND SUITS

SEC. 1420. (a) The district courts of the United States, the United States courts of any territory, and the United States District Court for the District of Columbia shall have jurisdiction of offenses and violations under this title and under the rules and regulations prescribed by the Secretary pursuant thereto, and concurrent with State courts, of all suits in equity and actions at law brought to enforce any liability or duty created by this title. Any such suit or action may be brought to enforce any liability or duty created by this title. Any such suit or action may be brought in the district wherein the defendant is found or is an inhabitant or transacts business, or in the district where the offer or sale took place, if the defendant participated therein, and process in such cases may be served in any other district of which the defendant is an inhabitant or wherever the defendant may be found. Judgments and decrees so rendered shall be subject to review as provided in sections 1254 and 1291 of title 28, United States Code. No case arising under this title and brought in any State court of competent jurisdiction shall be removed to any court of the United States, except where the United States or any officer or employee of the United 62 Stat. 928, 929.

States in his official capacity is a party. No costs shall be assessed for or against the Secretary in any proceeding under this title brought by or against him in the Supreme Court or such other courts.

APPROPRIATIONS

SEC. 1421. There are authorized to be appropriated such sums as may be necessary to carry out this title.

EFFECTIVE DATE

SEC. 1422. This title shall take effect upon the expiration of two hundred and seventy days after the date of its enactment.

TITLE XV—MORTGAGE INSURANCE FOR NONPROFIT HOSPITALS

AMENDMENT TO NATIONAL HOUSING ACT

12 USC 1707-1715y.

SEC. 1501. Title II of the National Housing Act is amended by adding at the end thereof (after the new section added by section 307 of this Act) the following new section:

"MORTGAGE INSURANCE FOR NONPROFIT HOSPITALS

"SEC. 242. (a) The purpose of this section is to assist the provision of urgently needed hospitals for the care and treatment of persons who are acutely ill or who otherwise require medical care and related services of the kind customarily furnished only (or most effectively) by hospitals.

"(b) For the purposes of this section—

"(1) the term 'hospital' means a facility—

"(A) which provides community service for inpatient medical care of the sick or injured (including obstetrical care);

"(B) not more than 50 per centum of the total patient days of which during any year are customarily assignable to the categories of chronic convalescent and rest, drug and alcoholic, epileptic, mentally deficient, mental, nervous and mental, and tuberculosis; and

"(C) which is owned and operated by one or more nonprofit corporations or associations no part of the net earnings of which inures, or may lawfully inure, to the benefit of any private shareholder or individual; and

"(2) the terms 'mortgage' and 'mortgagor' shall have the meanings respectfully set forth in section 207(a) of this Act.

"(c) The Secretary is authorized to insure any mortgage (including advances on such mortagage during construction) in accordance with the provisions of this section upon such terms and conditions as he may prescribe and to make commitments for insurance of such mortgage prior to the date of its execution or disbursement thereon.

"(d) In order to carry out the purpose of this section, the Secretary is authorized to insure any mortgage which covers a new or rehabilitated hospital, including equipment to be used in its operation, subject to the following conditions:

"(1) The mortgage shall be executed by a mortgagor approved by the Secretary. The Secretary may in his discretion require any such mortgagor to be regulated or restricted as to charges and methods of financing, and, in addition thereto, if the mortgagor is a corporate entity, as to capital structure and rate of return. As an aid to the regulation or restriction of any mortgagor with respect to any of the fore-

going matters, the Secretary may make such contracts with and acquire for not to exceed $100 such stock or interest in such mortgagor as he may deem necessary. Any stock or interest so purchased shall be paid for out of the General Insurance Fund, and shall be redeemed by the mortgagor at par upon the termination of all obligations of the Secretary under the insurance.

"(2) The mortgage shall involve a principal obligation in an amount not to exceed $25,000,000, and not to exceed 90 per centum of the estimated replacement cost of the property or project, including equipment to be used in the operation of the hospital, when the proposed improvements are completed and the equipment is installed.

"(3) The mortgage shall—

"(A) provide for complete amortization by periodic payments within such term as the Secretary shall prescribe, and

"(B) bear interest (exclusive of premium charges for insurance and service charges, if any) at not to exceed such per centum per annum (not in excess of 6 per centum), on the amount of the principal obligation outstanding at any time, as the Secretary finds necessary to meet the mortgage market.

"(4) The Secretary shall not insure any mortgage under this section unless he has received, from the State agency designated in accordance with section 604(a)(1) of the Public Health Service Act for the State in which is located the hospital covered by the mortgage, a certification that (A) there is a need for such hospital, and (B) there are in force in such State or the political subdivision of the State in which the proposed hospital would be located reasonable minimum standards of licensure and methods of operation for hospitals. No such mortgage shall be insured under this section unless the Secretary has received such assurance as he may deem satisfactory from the State agency that such standards will be applied and enforced with respect to any hospital located in the State for which mortgage insurance is provided under this section. 78 Stat. 452. 42 USC 291d.

"(e) The Secretary may consent to the release of a part or parts of the mortgaged property or project from the lien of any mortgage insured under this section upon such terms and conditions as he may prescribe.

"(f) The activities and functions provided for in this section shall be carried out by the agencies involved so as to encourage programs that undertake responsibility to provide comprehensive health care, including outpatient and preventive care, as well as hospitalization, to a defined population.

"(g)(1) Notwithstanding any of the other provisions of this title, the Secretary may insure under this section a mortgage which provides permanent financing or refinancing of existing mortgage indebtedness in the case of a hospital whose permanent financing is presently lacking, if the construction of such hospital was completed between January 1, 1966, and the date of the enactment of this Act.

"(2) The aggregate principal balance of all mortgages insured under paragraph (1) and outstanding at any one time shall not exceed $20,000,000.

"(h) The provisions of subsections (d), (e), (g), (h), (i), (j), (k), (l), and (n) of section 207 shall apply to mortgages insured under this section and all references therein to section 207 shall be deemed to refer to this section." 12 USC 1713.

LABOR STANDARDS

SEC. 1502. Section 212(a) of the National Housing Act is amended by inserting after the fifth sentence the following new sentence: "The provisions of this section shall also apply to the insurance of any mortgage under section 242, except that compliance with such provisions 12 USC 1715c.

may be waived by the Secretary in cases or classes of cases where laborers or mechanics, not otherwise employed at any time on the project, voluntarily donate their services without compensation for the purpose of lowering the costs of construction and the Secretary determines that any amounts thereby saved are fully credited to the nonprofit corporation or association undertaking the construction; and each laborer or mechanic employed on any facility covered by a mortgage insured under section 242 shall receive compensation at a rate not less than one and one-half times his basic rate of pay for all hours worked in any workweek in excess of eight hours in any workday or forty hours in the workweek, as the case may be."

Ante, p. 599.

TITLE XVI—HOUSING GOALS AND ANNUAL HOUSING REPORT

REAFFIRMATION OF GOAL

SEC. 1601. The Congress finds that the supply of the Nation's housing is not increasing rapidly enough to meet the national housing goal, established in the Housing Act of 1949, of the "realization as soon as feasible of the goal of a decent home and a suitable living environment for every American family". The Congress reaffirms this national housing goal and determines that it can be substantially achieved within the next decade by the construction or rehabilitation of twenty-six million housing units, six million of these for low and moderate income families.

63 Stat. 413.
42 USC 1441 note.

REPORT OUTLINING PLAN

SEC. 1602. Not later than January 15, 1969, the President shall make a report to the Congress setting forth a plan, to be carried out over a period of ten years (June 30, 1968, to June 30, 1978), for the elimination of all substandard housing and the realization of the goal referred to in section 1601. Such plan shall—

Report to Congress.
Contents.

(1) indicate the number of new or rehabilitated housing units which it is anticipated will have to be provided, with or without Government assistance, during each fiscal year of the ten-year period, in order to achieve the objectives of the plan, showing the number of such units which it is anticipated will have to be provided under each of the various Federal programs designed to assist in the provision of housing;

(2) indicate the reduction in the number of occupied substandard housing units which it is anticipated will have to occur during each fiscal year of the ten-year period in order to achieve the objectives of the plan;

(3) provide an estimate of the cost of carrying out the plan for each of the various Federal programs and for each fiscal year during the ten-year period to the extent that such costs will be reflected in the Federal budget;

(4) make recommendations with respect to the legislative and administrative actions necessary or desirable to achieve the objectives of the plan; and

(5) provide such other pertinent data, estimates, and recommendations as the President deems advisable.

Such report shall, in addition, contain a projection of the residential mortgage market needs and prospects during the coming year, including an estimate of the requirements with respect to the availability, need, and flow of mortgage funds (particularly in declining urban and rural areas) during such year, together with such recommendations as may be deemed appropriate for encouraging the availability of such funds.

PERIODIC REPORTS

SEC. 1603. On January 15, 1970, and on each succeeding year through 1979, the President shall submit to the Congress a report which shall— Report to Congress. Contents.

(1) compare the results achieved during the preceding fiscal year for the completion of new or rehabilitating housing units and the reduction in occupied substandard housing with the objectives established for such year under the plan;

(2) if the comparison provided under clause (1) shows a failure to achieve the objectives set for such year, indicate (A) the reasons for such failure; (B) the steps being taken to achieve the objectives of the plan during each of the remaining fiscal years of the ten-year period; and (C) any necessary revision in the objectives established under the plan for each such year;

(3) project residential mortgage market needs and prospects for the coming calendar year including an estimate of the requirements with respect to the availability, need, and flow of mortgage funds (particularly in declining urban and rural areas) during such period, in order to achieve the objectives of the plan;

(4) provide an analysis of the monetary and fiscal policies of the Government for the coming calendar year required to achieve the objectives of the plan and the impact upon the domestic economy of achieving the plan's objectives for such period;

(5) make recommendations with respect to any additional legislative or administrative action which is necessary or desirable to achieve the objectives of the plan; and

(6) provide such other pertinent data, estimates, and recommendations as the President deems advisable.

COMMISSION ON MORTGAGE INTEREST RATES

SEC. 1604. Funds appropriated and available for studies of housing markets and credit as authorized by section 301 of the Housing Act of 1948 and section 602(a) of the Housing Act of 1956 shall be available for expenses of the Commission established by section 4(b) of Public Law 90–301, including the report required to be rendered by such Commission. 63 Stat. 431. 12 USC 1701e. 70 Stat. 1113. 12 USC 1701d-3. Ante, p. 114.

TITLE XVII—MISCELLANEOUS

MODEL CITIES

SEC. 1701. (a) Section 111(a) of the Demonstration Cities and Metropolitan Development Act of 1966 is amended— 80 Stat. 1260. 42 USC 3311.

(1) by striking out "and" the third time it appears; and

(2) by inserting before the period at the end thereof ", and not to exceed $12,000,000 for the fiscal year ending June 30, 1969".

(b) Section 111(b) of such Act is amended—

(1) by striking out "and" the third time it appears; and

(2) by inserting before the period at the end thereof ", and not to exceed $1,000,000,000 for the fiscal year ending June 30, 1970".

(c) Section 111(c) of such Act is amended to read as follows:

"(c) Any amounts appropriated under this section shall remain available until expended, and any amounts authorized for any fiscal year under this section but not appropriated may be appropriated for any succeeding fiscal year commencing prior to July 1, 1970."

URBAN RENEWAL DEMONSTRATION GRANT PROGRAM

68 Stat. 629; 78 Stat. 792. 42 USC 1452a.

SEC. 1702. (a) Section 314(a) of the Housing Act of 1954 is amended—

(1) by striking out in the first sentence "to public bodies, including cities and other political subdivision," and inserting in lieu thereof "to public bodies (including cities and other political subdivisions) and nonprofit organizations,";

(2) by inserting after the first sentence the following: "In the case of any such grant to a nonprofit organization, the Secretary shall require that the assisted activities and undertakings are not inconsistent with the program of the local public agency."; and

(3) by striking out in the second sentence "No such grant shall exceed two-thirds of the cost, as determined or estimated by said Secretary, of such activities or undertakings," and inserting in lieu thereof the following: "No such grant shall exceed 90 per centum of the cost, as determined or estimated by the Secretary, of the assisted activities or undertakings,".

78 Stat. 792.

(b) Section 314(c) of such Act is amended by striking out "$10,000,000" and inserting in lieu thereof "$20,000,000".

AUTHORIZATION FOR URBAN INFORMATION AND TECHNICAL ASSISTANCE SERVICES PROGRAM

SEC. 1703. (a) The first sentence of section 906 of the Demonstration Cities and Metropolitan Development Act of 1966 is amended by striking out "and not to exceed $5,000,000 for the fiscal year ending June 30, 1968" and inserting in lieu thereof "not to exceed $5,000,000 for each of the fiscal years 1968 and 1969, and not to exceed $15,000,000 for fiscal year 1970".

80 Stat. 1284. 42 USC 3356.

(b) The second sentence of section 906 of such Act is amended to read as follows: "Any amounts appropriated under this section shall remain available until expended, and any amounts authorized for any fiscal year under this section but not appropriated may be appropriated for any succeeding fiscal year commencing prior to July 1, 1970."

ADVANCES IN TECHNOLOGY IN HOUSING AND URBAN DEVELOPMENT

SEC. 1704. (a) Section 1010(d) of the Demonstration Cities and Metropolitan Development Act of 1966 is amended by inserting before the period at the end of the first sentence the following: ", and not to exceed such sums for subsequent fiscal years as may be necessary".

42 USC 3372.

(b) Section 1010(c) of such Act is amended by striking out "two years" in the second sentence and inserting in lieu thereof "four years".

(c) Section 1010(a) of such Act is amended—

(1) by striking out "and" at the end of paragraph (1);

(2) by striking out the period at the end of paragraph (2) and inserting in lieu thereof "; and"; and

(3) by adding after paragraph (2) a new paragraph as follows:

"(3) require, to the greatest extent feasible, the employment of new and improved technology, techniques, materials, and methods in housing construction, rehabilitation, and maintenance under programs administered by the Department of Housing and Urban Development with a view to reducing the cost of such construction, rehabilitation, and maintenance, and stimulating the increased and sustained production of housing under such programs."

COLLEGE HOUSING

SEC. 1705. (a) The heading of section 401 of the Housing Act of 1950 is amended by striking out "LOANS" and inserting in lieu thereof "ASSISTANCE IN THE FORM OF LOANS OR ANNUAL GRANTS". 64 Stat. 77. 12 USC 1749.

(b) Section 401(a) of such Act is amended to read as follows: 69 Stat. 644.

"(a) To assist educational institutions in providing housing and other educational facilities for students and faculties, the Secretary may make loans of funds to such institutions for the construction or purchase of such facilities or may, as an alternative to all or part of the loan (in the case of any such institution), make annual grants to the institution to reduce the cost of its borrowing from other sources for such construction or purchase: *Provided*, That no such assistance shall be provided unless (1) the educational institution involved is unable to secure the necessary funds for the construction or purchase from other sources upon terms and conditions equally as favorable as the terms and conditions applicable to loans under this title, and (2) the Secretary finds that any such construction will be undertaken in an economical manner, and that any such facilities are not or will not be of elaborate or extravagant design or materials." 12 USC 1749.

(c) Section 401(c) of such Act is amended—

(1) by inserting "(1)" after "(c)";

(2) by striking out "of (1)" and "or (2)" and inserting in lieu thereof "of (A)" and "or (B)", respectively; and

(3) by adding at the end thereof the following new paragraph:

"(2) Annual grants to an educational institution with respect to any housing or other educational facilities shall be made over a fixed period not exceeding 40 years, and provision for such grants shall be embodied in a contract guaranteeing their payment over such period. Each such grant shall be in an amount equal to the difference between (A) the average annual debt service which would be required to be paid, during the life of the loan, on the amount borrowed from other sources for the construction or purchase of such facilities, and (B) the average annual debt service which the institution would have been required to pay, during the life of the loan, with respect to such amount if the applicable interest rate were the rate specified in paragraph (1): *Provided*, That the amount on which such grant is based shall be approved by the Secretary but in no event shall exceed the total development cost of the facilities."

(d) Section 401(d) of such Act is amended by inserting "(1)" after "(d)", and by adding at the end thereof the following new paragraph: 73 Stat. 681.

"(2) There are hereby authorized to be appropriated to the Secretary such sums as may be necessary, together with loan principal and interest payments made by educational institutions assisted with loans made hereunder, for payments on notes or other obligations issued by the Secretary under this section."

(e) Section 401(f) of such Act is amended to read as follows: 69 Stat. 645.

"(f)(1) There are hereby authorized to be appropriated to the Secretary such sums as may be necessary for the payment of annual grants to educational institutions in accordance with this section.

"(2) Contracts for annual grants under this section shall not be entered into in an aggregate amount greater than is authorized in appropriation Acts; and in any event the total amount of annual grants which may be paid to educational institutions in any year pursuant to contracts entered into under this section shall not exceed $10,000,000, which amount shall be increased by $10,000,000 on July 1, 1969."

(f) Section 403 of such Act is amended by striking out "the funds provided for in this title in the form of loans" and inserting in lieu thereof "the amount of the funds provided for in this title in the form 64 Stat. 80; 75 Stat. 173. 12 USC 1749b.

of loans, and not more than 12½ per centum of the funds provided for in this title for grants,".

73 Stat. 682. (g)(1) Section 401(g) of such Act is amended to read as follows:
12 USC 1749. "(g) Except as otherwise provided in the second paragraph of
71 Stat. 304; section 404(b), in the case of any loan which is made under this section
75 Stat. 173. to a nonprofit student housing cooperative corporation referred to in
12 USC 1749c. clause (5) of section 404(b), or which is obtained from other sources
73 Stat. 682. by such a corporation and is the subject of a contract for annual grants entered into under this section, the Secretary shall require that the note securing such loan be cosigned by the educational institution (referred to in clause (1) of such section) at which such corporation is located, and that, in the event of the dissolution of such corporation, title to the housing constructed with such loan will vest in such educational institution."

(2) Section 404(a) of such Act is amended by inserting "or existing" immediately after "new".

71 Stat. 304. (3) Clause (3)(B) of section 404(b) of such Act is amended by striking out "of any loan secured under this title" and inserting in lieu thereof the following: "of any loan which is made under section 401, or is the subject of a contract for annual grants entered into under section 401,".

(4) Clause (4) of section 404(b) of such Act is amended by striking out "to obtain loans" and inserting in lieu thereof "to obtain loans or grants".

(5) The second paragraph of section 404(b) of such Act is amended by inserting after "clause (5) of this subsection," the following: "and in the case of any loan which is obtained from other sources by such a corporation and is the subject of a contract for annual grants entered into under section 401,".

(6) Section 404(c) of such Act is amended by inserting before the period at the end thereof the following: "; except that in the case of the purchase of facilities such term means the cost as approved by the Secretary".

(7) Section 404(h) of such Act is amended by inserting "or existing" immediately after "new".

(h) The last sentence of paragraph "Seventh" of section 5136 of the Revised Statutes (12 U.S.C. 24) (appearing immediately before the sentence added by section 911 of this Act) is amended by inserting after "the Asian Development Bank" the following: ", or obligations issued by any State or political subdivision or any agency of a State or political subdivision for housing, university, or dormitory purposes,".

HOUSING FOR THE ELDERLY

73 Stat. 667. SEC. 1706. Section 202(a) of the Housing Act of 1959 is amended—
12 USC 1701q. (1) by inserting in paragraph (1) after "corporations," the following: "limited profit sponsors,";

75 Stat. 162. (2) by inserting in paragraph (2) after "(as defined in subsection (d)(2))," the following: "to any limited profit sponsor approved by the Secretary,"; and

(3) by inserting in paragraph (3) after "Secretary" the following: ", except that in the case of other than a corporation, consumer cooperative, or public body or agency the amount of the loan shall not exceed 90 per centum of the development cost".

FEDERAL-STATE TRAINING PROGRAMS

78 Stat. 802. SEC. 1707. (a) Title VIII of the Housing Act of 1964 is amended—
20 USC 801-811. (1) by inserting after "urban centers," in section 801(b) the following: "and with business firms and associations, labor unions, and other interested associations and organizations"; and

(2) by striking out "technical and professional people" in sections 801(b)(1) and 802(a)(1) and inserting in lieu thereof "technical, professional, and other persons with the capacity to master and employ such skills"; and 78 Stat. 802. 20 USC 801, 802.

(3) by inserting after "which has responsibility for community development" in sections 801(b)(1) and 802(a)(1) the following: ", or by a private nonprofit organization which is conducting or has responsibility for housing and community development programs".

(b) Section 805 of such Act is amended by inserting "Guam, American Samoa, the Trust Territory of the Pacific Islands," after "the Commonwealth of Puerto Rico,". 20 USC 805.

ADDITIONAL ASSISTANT SECRETARY OF HOUSING AND URBAN DEVELOPMENT

SEC. 1708. (a) The first sentence of section 4(a) of the Department of Housing and Urban Development Act is amended by striking out "five" and inserting in lieu thereof "six". 79 Stat. 668. 42 USC 3536.

(b) Paragraph (87) of section 5315 of title 5, United States Code, is amended by striking out "(4)" and inserting in lieu thereof "(6)". 79 Stat. 668; 80 Stat. 461; 81 Stat. 638.

INTERNATIONAL HOUSING

SEC. 1709. Section 604 of the Housing Act of 1957 is amended to read as follows: 71 Stat. 305; 81 Stat. 24. 12 USC 1701d-4.

SEC. 604. (a) The Secretary of Housing and Urban Development may exchange data relating to housing and urban planning and development with other nations and assemble such data from other nations, through participation in international conferences and other means, where such exchange or assembly is deemed by him to be beneficial in carrying out his responsibilities under the Department of Housing and Urban Development Act or other legislation. In carrying out his responsibilities under this subsection the Secretary may—

"(1) pay the expenses of participation in activities conducted under authority of this section including, but not limited to, the compensation, travel expenses, and per diem in lieu of subsistence of persons serving in an advisory capacity while away from their homes or regular places of business in connection with attendance at international meetings and conferences, or other travel for the purpose of exchange or assembly of data relating to housing and urban planning and development; but such travel expenses shall not exceed those authorized for regular officers and employees traveling in connection with said activities; and

"(2) accept from international organizations, foreign countries, and private nonprofit foundations, funds, services, facilities, materials, and other donations to be utilized jointly in carrying out activities under this section.

"(b) International programs and activities carried out by the Secretary under the authority provided in subsection (a) shall be subject to the approval of the Secretary of State for the purpose of assuring that such authority shall be exercised in a manner consistent with the foreign policy of the United States."

ELIGIBILITY FOR RENT SUPPLEMENT PAYMENTS

SEC. 1710. Notwithstanding any other provision of law respecting the date after which a mortgage must have been approved for mortgage insurance under section 221(d)(3) of the National Housing Act, the Secretary of Housing and Urban Development is authorized to make, and contract to make, rent supplement payments under the pro- Rehabilitation projects. New York. 75 Stat. 150. 12 USC 1715l.

visions of section 101 of the Housing and Urban Development Act of 1965 to the owners of the housing projects known as the 114th Street rehabilitation project and the 114th Street rehabilitation project numbered 2, in New York City, New York (project numbers 012–33501 and 012–33512).

79 Stat. 451.
12 USC 1701s.

CONSOLIDATION OF LOW-RENT PUBLIC HOUSING PROJECTS IN THE DISTRICT OF COLUMBIA

SEC. 1711. All projects now operated and maintained by the National Capital Housing Authority pursuant to title I of the District of Columbia Alley Dwelling Act are deemed to be low-rent housing projects and may be consolidated, pursuant to section 15(6) of the United States Housing Act of 1937, into any contract for annual contributions covering projects maintained and operated pursuant to title II of the District of Columbia Alley Dwelling Act.

48 Stat. 930.
D. C. Code 5-103 to 5-111.
63 Stat. 427; 75 Stat. 165.
42 USC 1415.
52 Stat. 1188.
D. C. Code 5-112 to 5-116.

URBAN RENEWAL PROJECT IN GARDEN CITY, MICHIGAN

SEC. 1712. Notwithstanding the date of commencement of construction of the Florence Primary School in Garden City, Michigan, local expenditures made in connection with such school shall, to the extent otherwise eligible, be counted as a local grant-in-aid toward the Cherry Hill urban renewal project (Mich. R–46) for purposes of title I of the Housing Act of 1949.

42 USC 1450–1468.

URBAN RENEWAL PROJECT IN SACRAMENTO, CALIFORNIA

SEC. 1713. Notwithstanding the date of commencement of construction of the storm drainage system in the Capitol Mall Riverfront urban renewal project (Calif. R–67) in Sacramento, California, local expenditures made in connection with such storm drainage system located in that project shall, to the extent otherwise eligible, be counted as a local grant-in-aid toward that project for purposes of title I of the Housing Act of 1949.

SELF-HELP STUDIES

SEC. 1714. (a) Section 207 of the Housing Act of 1961 is amended by inserting after the words "improved means" the following: ", including the study of self-help in the construction, rehabilitation, and maintenance of housing for low-income persons and families and the methods of selecting, involving, and directing such persons and families in self-help activities,".

75 Stat. 165; 79 Stat. 503.
42 USC 1436.

(b) The Secretary of Housing and Urban Development shall make a report to the Congress, within one year after the date of enactment of this Act, setting forth the results of the self-help studies and demonstrations carried out under section 207 of the Housing Act of 1961, together with such recommendations as he deems appropriate.

Report to Congress.

EARTHQUAKE STUDY

SEC. 1715. Section 5 of the Southeast Hurricane Disaster Relief Act of 1965 is amended by striking out "three years after the appropriation of funds for this study" and inserting in lieu thereof "June 30, 1969".

79 Stat. 1301

SAVINGS AND LOAN ASSOCIATIONS

SEC. 1716. (a) Section 5(b) of the Home Owners' Loan Act of 1933 is amended to read as follows: 48 Stat. 132. 12 USC 1464.

"(b)(1) An association may raise capital in the form of such savings deposits, shares, or other accounts, for fixed, minimum, or indefinite periods of time (all of which are referred to in this section as savings accounts and all of which shall have the same priority upon liquidation) as are authorized by its charter or by regulations of the Board, and may issue such passbooks, time certificates of deposit, or other evidence of savings accounts as are so authorized. Holders of savings accounts and obligors of an association shall, to such extent as may be provided by its charter or by regulations of the Board, be members of the association, and shall have such voting rights and such other rights as are thereby provided. Except as may be otherwise authorized by the association's charter or regulation of the Board in the case of savings accounts for fixed or minimum terms of not less than thirty days, the payment of any savings account shall be subject to the right of the association to require such advance notice, not less than thirty days, as shall be provided for by the charter of the association or the regulations of the Board. The payment of withdrawals from savings accounts in the event an association does not pay all withdrawals in full (subject to the right of the association to require notice) shall be subject to such rules and procedures as may be prescribed by the association's charter or by regulation of the Board, but any association which, except as authorized in writing by the Board, fails to make full payment of any withdrawal when due shall be deemed to be in an unsafe or unsound condition to transact business within the meaning of subsection (d) of this section. Savings accounts shall not be subject to check or to withdrawal or transfer on negotiable or transferable order or authorization to the association, but the Board may by regulation provide for withdrawal or transfer of savings accounts upon nontransferable order or authorization.

"(2) To such extent as the Board may authorize by regulation or advice in writing, an association may borrow, may give security, and may issue such notes, bonds, debentures, or other obligations, or other securities (except capital stock) as the Board may so authorize."

(b) Section 5(c) of the Home Owners' Loan Act of 1933 is amended—

(1) by striking out "shares" in the first sentence and inserting in lieu thereof "savings accounts"; and

(2) by inserting after the first semicolon in the second proviso the following words: "or in time deposits, certificates, or accounts of any bank the deposits of which are insured by the Federal Deposit Insurance Corporation;".

(c) Section 5(c) of such Act is amended by inserting in the second paragraph after "property alteration, repair, or improvement" the following: ", including the construction of new structures related to residential use of the property".

(d) Section 5(c) of such Act is amended by adding immediately after the second paragraph thereof the following new paragraph:

"Without regard to any other provision of this subsection, but subject to such prohibitions, limitations, and conditions as the Board may by regulation prescribe, any such association may make and invest in—

"(A) any loan not exceeding $5,000 made for the repair, equipping, alteration, or improvement of any real property, or

"(B) any loan made for the purpose of mobile home financing."

(e) The first sentence of the paragraph which, prior to the amendments made by this Act, was the next to the last paragraph of section 5(c) of such Act is amended—

(1) by inserting "(1)" immediately before "invest";

(2) by striking out "(1)" before "secured";

(3) by inserting ", now or hereafter in effect," after "National Housing Act"; and

79 Stat. 465.
12 USC 1464.

(4) by striking out all that follows "(2)" and inserting in lieu thereof the following: "acquire and hold investments in housing project loans, or interests therein, having the benefit of any guaranty under section 221 of the Foreign Assistance Act of 1961, as now or hereafter in effect, or loans, or interests therein, having the benefit of any guaranty under section 224 of such Act, or any commitment or agreement with respect to such loans, or interests therein, made pursuant to either of such sections."

75 Stat. 429.
22 USC 2181.
79 Stat. 655.
22 USC 2184.

12 USC 1464.

(f) Section 5(c) of such Act is amended by adding immediately before the last paragraph thereof the following new paragraph:

"Any such association may invest in loans, or interests in loans, to financial institutions with respect to which the United States or any agency or instrumentality thereof has any function of examination or supervision, or to any broker or dealer registered with the Securities and Exchange Commission, secured by loans, obligations, or investments in which it has any statutory authority to invest directly."

FEDERAL HOME LOAN BANK ACT

SEC. 1717. Section 12 of the Federal Home Loan Bank Act, as amended (12 U.S.C. 1432), is amended by inserting "(a)" after "SEC. 12.", and by adding at the end thereof a new subsection as follows:

47 Stat. 735;
80 Stat. 1293.

"(b) Subject to such regulations as may be prescribed by the Board, one or more Federal home loans banks may acquire, hold, or dispose of, in whole or in part, or facilitate such acquisition, holding, or disposition by members of any such bank of, housing project loans, or interests therein, having the benefit of any guaranty under section 221 of the Foreign Assistance Act of 1961, as now or hereafter in effect, or loans, or interests therein, having the benefit of any guaranty under section 224 of such Act, or any commitment or agreement with respect to such loans, or interests therein, made pursuant to either of such sections."

FEDERAL RESERVE ACT

SEC. 1718. Section 24 of the Federal Reserve Act, as amended (12 U.S.C. 371), is amended—

73 Stat. 489;
79 Stat. 509.

(1) by striking out "twenty-four months", wherever it appears in the third paragraph and inserting in lieu thereof "thirty-six months";

(2) by striking out "when the entire amount of such obligation is sold to the association", wherever it appears in the first and second paragraphs, and inserting in lieu thereof "in whole or in part and at any time or times prior to the maturity of such obligation"; and

(3) by striking out the last paragraph and inserting in lieu thereof the following:

"Loans made to any borrower (i) where the association looks for repayment by relying primarily on the borrower's general credit standing and forecast of income, with or without other security, or (ii) where the association relies on other security as collateral for the loans (including but not limited to a guaranty of a third party), and where, in either case described in clause (i) or (ii) above, the association wishes to take a mortgage, deed of trust, or other instrument upon real estate (whether or not constituting a first lien) as a precaution

against contingencies, such loans shall not be considered as real estate loans within the meaning of this section but shall be classed as ordinary non-real-estate loans."

LOW-RENT PUBLIC HOUSING—CORPORATE STATUS

SEC. 1719. (a) The first sentence of section 3 of the United States Housing Act of 1937 is amended by striking "a body corporate of perpetual duration to be known as". 81 Stat. 20. 42 USC 1403.

(b) Section 17 of such Act is repealed. The capital stock referred to in such section shall be retired, and sum of $1,000,000 represented by such stock shall be returned to the Treasury of the United States. Repeal. 50 Stat. 897. 42 USC 1417.

(c) Such Act is amended by adding a new section 17 as follows:

"SEC. 17. In the performance of, and with respect to, functions, powers, and duties under this Act, the Secretary shall have (in addition to any authority otherwise vested in him) the functions, powers, and duties set forth in subsections (a), (b), and (e) of section 402 of the Housing Act of 1950." 64 Stat. 78; 73 Stat. 681.

(d) Section 101 of the Government Corporation Control Act is amended by striking out "United States Housing Authority and including public housing projects financed through appropriated funds and operations thereof;". 12 USC 1749a. 59 Stat. 597. 31 USC 846.

SPECIAL STUDIES OF SAVINGS AND LOAN INDUSTRY

SEC. 1720. That part of chapter IV of the Second Supplemental Appropriation Act, 1966, which relates to expenses necessary for special studies of the savings and loan industry is amended by striking out "1968" and inserting "1969". 80 Stat. 143.

SMALL BUSINESS ACT

SEC. 1721. Subsection (a) of section 4 of the Small Business Act is amended by inserting immediately after "the Commonwealth of Puerto Rico," the following: "the Trust Territory of the Pacific Islands,". 72 Stat. 384. 15 USC 633.

TECHNICAL AMENDMENTS

SEC. 1722. (a) Section 110(c) of the Housing Act of 1949 is amended by striking out "paragraphs (7), (8), and (9)" in the second unnumbered paragraph following the numbered paragraphs and inserting in lieu thereof "paragraphs (7), (8), (9), and (10)". 70 Stat. 1097; 79 Stat. 477. 42 USC 1460.

(b) Section 110(d) of the Housing Act of 1949 is amended by striking out "clauses (2), (3)" and inserting in lieu thereof "clauses (2), (3), (7)". 68 Stat. 626.

(c) Section 110(e) of the Housing Act of 1949 is amended by striking out "and (9)" in clause (i) and inserting in lieu thereof "(9), and (10)".

(d) Section 1101(c)(3) of the National Housing Act is amended by inserting "from the beginning of amortization of the mortgage" immediately after "twenty-five years". 80 Stat. 1274. 12 USC 1749aaa.

(e) Section 213(o) of the National Housing Act is amended by adding at the end thereof four new sentences as follows: "Moneys in the Cooperative Management Housing Insurance Fund not needed for current operations of the fund shall be deposited with the Treasurer of the United States to the credit of the Cooperative Management Housing Insurance Fund or invested in bonds or other obligations of, or in bonds or other obligations guaranteed as to principal and interest by, the United States. The Secretary may, with the 79 Stat. 469. 12 USC 1715e.

approval of the Secretary of the Treasury, purchase in the open market debentures which are the obligations of the Cooperative Management Housing Insurance Fund. Such purchases shall be made at a price which will provide an investment yield of not less than the yield obtainable from other investments authorized by this subsection. Debentures so purchased shall be canceled and not reissued."

73 Stat. 684.
12 USC 1748h-2.

(f) Section 810(e) of the National Housing Act is amended—

(1) by striking out "private corporation, association, cooperative society, or trust" in the first sentence and inserting in lieu thereof "mortgagor approved by the Secretary", and

(2) by striking out "corporation, association, cooperative society, or trust" in the third and fourth sentences and inserting in lieu thereof "mortgagor".

68 Stat. 596.
12 USC 1715k.

(g) Section 220(d)(2)(B) of the National Housing Act is amended by striking out "corporations restricted by" and inserting in lieu thereof "corporations or other legal entities restricted by or under".

Approved August 1, 1968, 11:52 a. m.

LEGISLATIVE HISTORY:

HOUSE REPORTS: No. 1585 accompanying H. R. 17989 (Comm. on Banking and Currency) and No. 1785 (Comm. of Conference).
SENATE REPORT No. 1123 (Comm. on Banking & Currency).
CONGRESSIONAL RECORD, Vol. 114 (1968):
May 23, 24, 27, 28: Considered and passed Senate.
July 10: Considered and passed House, amended, in lieu of H. R. 17989.
July 25: Senate agreed to conference report.
July 26: House agreed to conference report.

We looked at the experience. The Fifth Circuit (Texas) was a busy circuit. The California Circuit was also a busy circuit. I do not know a great many lawyers personally in either circuit. I considered several, though, on both circuits, as did the Attorney General.

I talked to several Members of the Senate about these men, including the leaders of various groups, Democratic groups, Republican groups, and other groups, young groups and older groups, and I submitted several names to them that I had under consideration for the Court posts.

After talking to them, I concluded that, in the words of Mr. Christopher, "It is a very rare thing to find a man with the unusual qualifications of our Associate Justice, Justice Thornberry." He had been a law enforcement officer for several years. He had been a mayor pro tem of a city for several years. He had been a member of a State legislature for several years. He had been a prosecuting attorney trying cases every day in the courtroom for ome time. He had been a Member of Congress for 15 ears. He is the only man now on the Court, if he is confirmed, to have ever served both on the trial court and the appellate court.

The members of the American Bar Association and the Senate had repeatedly recommended, I believe, that we promote judges to the Supreme Court from the appellate courts or the district trial courts. In this case, Judge Thornberry had served at both the city hall level, the State level, and the congressional level. There is only one other man now on the Court who has had legislative experience, and that is Justice Black.

After talking to the leaders of Congress, I submitted Judge Thornberry's name to the American Bar Association committee for the United States Supreme Court appointments. They had consultation on Justice Thornberry and representatives of the 12 regions all over the country ound him "highly qualified."

I did not anticipate that there would be any opposition because both of these men had been confirmed twice previously by the Senate, Justice Fortas, as Under Secretary of the Interior Department, and as Associate Justice just 2 or 3 years before, and Judge Thornberry as a district trial court judge and as a circuit court judge.

But while we were getting these clearances, there was a statement made by a group of Republican Senators who said that no appointment should be made because of this being an election year.

I analyzed that and asked for comment on that statement. I don't believe that many Senators felt that the President should refuse to send two names to the Senate for action on two Supreme Court appointments for 6 or 7 months or that I should play that I was not President for that period.

As a matter of fact, just a few days before some of the Senators who have since objected were recommending that I appoint their own judges and some are recommending that I appoint them now and we will be sending some of their judges up as soon as the American Bar Association gives clearance.

So, it is a matter for the Senate. I have no doubt that these two men, both of whom have been promoted from the bench, are qualified. I have no doubt but what a very substantial majority in the Senate believes them to be qualified.

Some men who said they will vote against them believe they are qualified and said they would vote for them next January if another President named them.

What the Senate decides is a matter for them. I have made my decision and promoted two good men.

Robert Pierpoint (CBS). Thank you.

NOTE: President Johnson's one hundred and twenty-ninth news conference was held in the Cabinet Room at the White House at 4:43 p.m. on Wednesday, July 31, 1968.

As printed above, this item follows the text released by the White House.

Federal Power Commission

Announcement of Intention To Nominate John A. Carver, Jr., for Reappointment. July 31, 1968

President Johnson today announced his intention to nominate John A. Carver, Jr., of Boise, Idaho, for reappointment to the Federal Power Commission. If confirmed by the Senate, Mr. Carver's term would expire June 22, 1973. Mr. Carver was first appointed to the Federal Power Commission in 1966.

Mr. Carver was born April 24, 1918, in Preston, Idaho, and attended Brigham Young University, where he received the A.B. degree in 1939. In 1947, Mr. Carver was awarded the LL.B. degree by Georgetown University.

Mr. Carver began government service in 1936 as a messenger with the Senate Investigating Committee on Railroad Financing, and later served as a clerk with the U.S. Civil Service Commission and the National Roster of Scientific and Specialized Personnel, in the Executive Office of the President. From 1941–43, Mr. Carver was employed by the War Department in Washington, D.C., Utah, Maryland, and New York City. From 1943–46 he served with the Army Air Corps as a commissioned officer.

From 1947–57 Mr. Carver engaged in the private practice of law in Boise, Idaho, and was an assistant attorney general of the State of Idaho from 1947–55. From 1957–61 Mr. Carver was administrative assistant to U.S. Senator Frank Church.

In 1961 Mr. Carver was appointed by President Kennedy as an Assistant Secretary of the Interior, and he served in this capacity until 1964, when he was elevated to Under Secretary of the Department. He remained Under Secretary until 1966, when he was named to his present post.

Mr. Carver, a Democrat, is married and has three children. He resides with his family in Arlington, Virginia.

HOUSING AND URBAN DEVELOPMENT ACT OF 1968

The President's Remarks Upon Signing the Bill Into Law. August 1, 1968

Secretary Weaver, Mr. Vice President, Senator Sparkman, Congressman Patton, distinguished Members of the Congress, ladies and gentlemen:

I am sure that all of you good people out here on this delightful sunny day are going to be glad that we have taken action to provide roofs over your heads a little later on.

We come together today in ceremony—and in challenge.

The dreams and the hard work of many men and women have finally brought us here today.

It has been long in coming. The journey began more than three decades ago—with President Franklin D. Roosevelt's conviction that a compassionate and far-sighted government cannot ignore the plight of the ill-housed or the ill-fed or the ill-clothed.

Many milestones have marked our progress:

—First, there were the public housing experiments of the 1930's and 1940's, led by that great adventurer, Nathan Strauss, in the Roosevelt Administration. I remember back in 1938 when we met on a similar occasion with not quite so many approving citizens in our midst to sign the Wagner Housing Act of 1938. I remember us launching the first low-rent housing project under that act in a section of the country that sometimes you read about.

—Then, there was the beginning of a large-scale urban renewal in 1950.

—Then came the quickening strides of the last few years. We gave the cities, finally, after a long, bitter, difficult struggle, a voice at the Cabinet table—a century after they had really become an integral part of American life. We broke through the neglect of decades with our bold model cities and rent supplement program.

Now, today, all those paths converge. Today, we are going to put on the books of American law what I genuinely believe is the most far-sighted, the most comprehensive, the most massive housing program in all American history.

We cannot underwrite what can happen in the future. We already know how we have neglected matters in the past. But I think that this legislation can be the Magna Carta to liberate our cities. It is vast in scope and vast in promise. With it we now have new means to win new rights for every American in every city and on every country road. That new right is the fundamental and the very precious American right to a roof over your head—a decent home.

I had it vividly impressed upon me more than 35 years ago that the thing every woman in this world wanted, the thing that was right at the

top of her priority list, was a home. I think it is something that every man and child in America ought to want—a home.

Now, for the first time, the Congress and the Executive are joining in a commitment here today to eliminate substandard housing in America and build homes for families.

Let me cite a specific or two, if I may. Over the 10 years of this program, the production rate of federally subsidized housing will be ten times higher than it has been in the last decade.

The bill opens the way for the construction of entire new communities, reducing the congestion of the crowded cities.

All of this would be cause for celebration enough, but the bill does a great deal more.

—For thousands of poor families, the dream of home ownership can be fulfilled.

—For the businessman and the resident of the inner city the vital flow of property insurance will be assured.

—For thousands who live in slums and barrios, life will be transformed through the model neighborhoods, through the model cities program, through rent supplements, through revitalized urban renewal.

—An American family of four, with two children, who have an income of only $4,500 per year, if that family wants to make use of home ownership under this act, is able to get a $14,000 home. The family would pay $99 a month plus normal maintenance, with a $200 down payment. The Government would help supplement that so that man and his family could become homeowners.

—If that family wanted to take advantage of the new rental program it could get a two-bedroom apartment and pay $94 a month rent and the Government would supplement the rest.

—A family of six with four children having an annual income of $5,500 a year can buy a home costing $17,300. They would pay $112 a month, plus normal maintenance, with a $200 down payment. The Government would help with the rest.

—An elderly couple with an income of $375 per month could rent an apartment under this new bill and pay $77 a month. The Government would make up the rest.

You know and I know that never before in all of our lifetime has the American Congress been far-sighted enough and has the American administration joined with it to provide as much housing at such modest cost as we are doing in this bill today.

We know that a city is not of brick alone. We know that a home is more than a shelter. Through dozens of other programs we are trying to work to improve the quality of man's life and to better humanity.

But the center of our effort is here—the center of man's life—the place we call our home.

We do the work of history here today. I believe that history will mark this first day of August 1968 as the day and the time and the moment when far-sighted people turned the clock ahead, setting the hands of progress to the tempo of man's racing needs.

Those needs are being partially met. I am proud to come here to this new home, with this new Cabinet office under this new leader to sign more than just a piece of parchment. This law is not stone. It is the rock of our commitment—the commitment of both parties in America—the commitment of all good Americans to raise up a new America in this country and to make this possible for a man who is willing to work and try and save to own his own home—every one of us.

On this rock, every man may stand in the certainty that his home will be his joy, a place where he and his wife and his children can live in pride and in safety and in pleasure and in dignity.

When we assure that, we will assure the continuance of our leadership in the world and we will insure the continuance of the greatest Government that man has ever devised.

NOTE: The President spoke at 11:34 a.m. in the Plaza of the Department of Housing and Urban Development in Washington, D.C. As printed above, this item follows the text of the White House press release.

As enacted, the bill (S. 3497) is Public Law 90–448.

Report on the Paris Peace Talks

White House Statement Following a Report to the President by William J. Jorden of the United States Delegation. August 1, 1968

The President met for a half hour this morning with William J. Jorden, member of the U.S. delegation at the peace negotiations in Paris.

Mr. Jorden reviewed for the President the current state of the Paris talks, including the various constructive proposals that have been made by the U.S. delegation to move the conversations in the direction of a resolution of the Vietnam war. He also described the consistent refusal of the North Vietnamese delegation to enter into serious discussion of any proposals, except their demand that all bombing of the North be ended.

The President expressed his earnest desire for an early and honorable end to the fighting. He told Mr. Jorden that the world had called upon the United States to exercise restraint in Vietnam. In response, he had taken a major and unilateral step toward peace on March 31 by ending the bombing of military targets in nearly 80 percent of North Vietnam, an area where about 90 percent of the people of the North live. The President now hoped that the world would call on North Vietnam to show similar restraint. He regretted that such restraint had not yet been undertaken.

The President expressed his sincere hope that the North Vietnamese representatives in Paris would soon join with the American delegation in serious consideration of meaningful measures to bring the fighting in Vietnam to an end.

Steel Price Increases

Letter from the President to the Speaker of the House and the Majority Leader of the Senate. August 1, 1968

As you know, two of the Nation's largest steel producers have announced general price increases of about five percent. This represents the largest single price increase in the steel industry since 1958. My economic advisers consider it the largest inflationary price increase for the nation in this decade.

I believe it is my duty to inform the Congress of the dire consequences which would result if these increases are allowed to stand.

The first is a clear and immediate threat to our efforts to restore price stability.

The second is the added danger to our balance of payments.

Just six weeks ago, the Congress enacted a tax and expenditure reduction bill. Nobody likes to pay more taxes. Nobody likes belt-tightening in needed Government services. But the health of our economy demanded strong fiscal medicine.

In signing that measure, I called upon business and labor to exercise the utmost restraint in price and wage decisions.

Clearly neither Bethlehem nor Republic has heeded this appeal. If their increases are allowed to stand—and if the other major steel companies follow suit—the immediate result will be $600 million in increased costs. The ultimate cost to the American consumer will exceed $1.1 billion in higher prices, as the increase is reflected in products containing steel.

GENERAL SUMMARY

HOUSING AND URBAN DEVELOPMENT ACT OF 1968
Public Law 90-448, approved August 1, 1968

Housing goal - declaration of policy

The Congress affirms in the 1968 Act the national goal of "a decent home and a suitable living environment for every American family" (as stated in the Housing Act of 1949). It states further that the highest priority should be given to meeting the housing needs of those families for which the national goal has not become a reality, and that there should be the fullest practicable utilization, in administration of Federal housing programs, of the resources and capabilities of private enterprise and self-help techniques.

Opportunities for training and employment for lower income persons

The Secretary of Housing and Urban Development is directed, in administering housing programs for low-income families, to require -

1. that opportunities for training and employment arising in connection with the planning, construction, rehabilitation, and operation of housing under the programs be given to lower income persons residing in the area of the housing; and

2. that to the greatest extent feasible contracts for work pursuant to the housing programs shall, where appropriate, be awarded to business concerns located in or owned in substantial part by persons residing in the area of the housing.

Improved design in Government housing programs

The Congress commends the Department of HUD for its recent efforts to improve architectural standards, but declares that in the administration of housing programs which assist in the provision of housing for low and moderate income families, emphasis shall be given to encouraging good design as an essential component of the housing.

Improvement of program administration

The Secretary is directed to make a report to the Banking and Currency Committees early in calendar years 1969 and 1970 identifying specific areas of program administration and management which require improvement. The reports shall describe actions taken and proposed to make improvements and recommend legislation needed to accomplish the improvements.

TITLE I - LOWER INCOME HOUSING

Homeownership for lower income families

A new program (sec. 235 of the National Housing Act) is authorized to provide Federal assistance to homeownership by lower income families (including membership in a cooperative). Under the new program, the Secretary of HUD may enter into contracts to make periodic payments to lenders who make FHA-insured home mortgage loans to these families. The payments will be in an amount necessary to make up the difference between 20 percent of the family's monthly income and the required monthly payment under the mortgage for principal, interest, taxes, insurance, and mortgage insurance premium. In no case, however, can the payment on a mortgage exceed the difference between the required payment under the mortgage for principal, interest, and mortgage insurance premium and the payment that would be required for principal and interest if the mortgage bore an interest rate of 1 percent. The amount of the payment on each mortgage will vary according to the income of the homeowner. The family's income is required to be recertified at least every 2 years and appropriate adjustments made in the assistance payment to reflect any changes.

The assistance payment is available for a purchaser having an income, at the time of his initial occupancy, not in excess of 135 percent of the maximum income limits that can be established in the area for initial occupancy in public housing. However, up to 20 percent of the funds authorized in appropriation acts for the program can be used to assist families with incomes above these limits but which are not in excess of 90 percent of the income limits for occupancy in a section 221(d)(3) below-market interest rate housing project.

In calculating the income of the homeowner for the purpose of determining eligibility as well as the amount on which the 20 percent computation will be made, there will be deducted $300 for each minor child who is a member of the homeowner's immediate family and living with him. Also, income of minors will not be included in the homeowner's income for this computation.

The amount of a home mortgage can not exceed $15,000 ($17,500 in high cost areas). These limits are increased to $17,500 ($20,000 in high cost areas for families with five or more members. The same limits apply to cooperative and condominium units.

The minimum downpayment is $200 for families with incomes up to 135 percent of the maximum income limits that can be established in the area for initial occupancy in public housing and 3 percent in other cases.

A homeowner is to be given the opportunity, to the maximum extent feasible, to contribute the value of his labor as equity in the dwelling.

The Secretary is authorized to provide budget, debt management, and related counseling services to homeowners who purchase homes under the new section 235 program.

The housing, with a few limited exceptions, must be new or substantially rehabilitated housing, except that up to 25 percent of the amount of contracts authorized to be made before July 1, 1969 can apply to existing housing, with this percentage decreasing to 15 percent the following year, and 10 percent the third year.

The aggregate amount of contracts to make payments can not exceed amounts approved in appropriation Acts. The payments pursuant to the contracts can not exceed $75 million per annum prior to July 1, 1969. This amount is increased by $100 million on July 1, 1969, and by $125 million on July 1, 1970. A reasonable portion of the contract authority is to be transferred from time to time to the Secretary of Agriculture for use in rural areas and small towns.

In addition to the foregoing provisions, a mortgage executed by a nonprofit organization or a public body or agency can be insured where it finances the purchase (and rehabilitation if necessary) of housing in viable, or potentially viable, areas for resale to lower income families. The housing must include at least four or more one-family dwellings (or two-family dwellings, one unit of which is to be occupied by the owner), or at least four or more one-family units in a condominium project, in the cases where rehabilitation is involved. The individual mortgages given to finance the resale of the housing to lower income families will also be insured by FHA and assistance payments made on behalf of the purchasers.

221 (h) Program

The 221 (h) program is changed to allow the Secretary to reduce the interest rate on a home purchaser's mortgage under the program to as low as 1 percent where the purchaser's income justifies, with periodic adjustments between 1 and 3 percent to reflect changes in the homeowner's income. Under this program nonprofit mortgagors purchase and rehabilitate housing with FHA insured mortgages and resell it to low-income families.

The limit on the aggregate amount of mortgages that can be insured and outstanding at any one time under the program is increased from $20 million to $50 million.

New FHA credit assistance for homeownership

FHA mortgage insurance is authorized (under a new Sec. 237 of the National Housing Act) for families of low and moderate income who, through the incentive of homeownership and counseling assistance, appear to be able to achieve homeownership but who, for reasons of credit history, irregular income patterns caused by seasonal employment, or other factors, are unable to meet the credit requirements generally applicable for the purchase of a home under the regular FHA mortgage insurance program.

A mortgage must meet the basic requirements under one of the various FHA home mortgage programs. The credit and income requirements of the particular program do not apply, however, and the principal obligation of the mortgage can not exceed $15,000 ($17,500 in high-cost areas). However, if the limit on the amount of a mortgage is lower under a particular program, the lower limit is applicable.

The monthly payments, combined with local real estate taxes on the property, will not exceed 25 percent of the home purchaser's income, computed over the previous year or the previous 3 years, whichever is higher. The interest rates and mortgage insurance premiums are the same as under the program involved for other mortgagors.

The Secretary of HUD is authorized to provide debt management and related counseling services to mortgagors whose mortgages are insured under these new more liberal provisions. He can also provide counseling to otherwise eligible families who lack a downpayment on a home in order to help them to save money for a downpayment.

The aggregate balance of mortgages insured under these new provisions can not exceed at any one time $200 million.

Mortgage insurance for housing in declining areas

Mortgage insurance is authorized, under any of FHA's mortgage insurance programs, for the purchase, repair, rehabilitation, or construction of housing located in older, declining urban areas without regard to the normal requirements of the particular program if FHA finds that (1) the area is reasonably viable, giving consideration to the need for providing adequate housing for families of low and moderate incomes in the area, and (2) the property is an acceptable risk in view of this consideration.

Special Risk Insurance Fund

A new Special Risk Insurance Fund is established which is not intended to be actuarially sound and out of which claims will be paid on mortgages insured under the several new special mortgage insurance programs for housing for low or moderate income families. A $5 million advance from the general insurance fund is authorized to initiate the new Special Risk Fund. Appropriations are authorized to cover any losses sustained by the new fund.

Condominium and cooperative ownership for low and moderate income families

Rental housing projects financed with below-market interest rate FHA 221(d)(3) mortgages are permitted to be converted to cooperative or condominium ownership.

A low or moderate income purchaser can purchase an individual family unit and an undivided interest in the common areas and facilities of a project at a price not in excess of the appraised value of the property and with a mortgage bearing the below-market interest rate then in effect. At least a 3 percent downpayment will be required, which can be applied in whole or in part toward closing costs.

A cooperative, with membership open only to low and moderate income families meeting income limits prescribed for 221(d)(3) below-market interest rate projects, can purchase a 221(d)(3) project for an amount not exceeding the appraised value of the property for continued use as a cooperative. The insured mortgage can bear the below-market interest rate in effect at the time the commitment to insure the mortgage is issued.

Assistance to nonprofit sponsors of low and moderate income housing

The Secretary of HUD is authorized to provide technical assistance with respect to the construction, rehabilitation, and operation of low and moderate income housing to nonprofit organizations. The Secretary can also make 80-percent, interest-free loans to nonprofit sponsors of such housing to cover certain preconstruction costs under Federally-assisted programs.

The Low and Moderate Income Sponsor Fund is established for the purpose of making the loans with an authorization for appropriations of $7.5 million for fiscal year 1969 and $10 million for fiscal year 1970. The Fund will be a revolving fund and repayments of loans will be deposited in the Fund.

National Homeownership Foundation

The National Homeownership Foundation is created to carry out a continuing program of encouraging private and public organizations to provide increased homeownership and housing opportunities in urban and rural areas for lower income families.

The Foundation is authorized to make grants and loans (not otherwise available from Federal sources) to such organizations to help defray organizational and administrative expenses, necessary preconstruction costs, and the cost of counselling or similar services to lower income families for whom housing is being provided. The Foundation can also provide technical assistance to the organizations.

Appropriations up to $10 million are authorized. The Foundation can also use donated funds.

The Foundation is to be administered by an 18-member Board of Directors. Fifteen members are to be appointed by the President. The Secretary of HUD, the Secretary of Agriculture and the Director of OEO are the other three members. The board will appoint an executive director as its executive officer.

New technologies - housing for lower income families

The Secretary of HUD is directed to institute a program under which qualified public and private organizations will submit plans for the development of housing for lower income families, using new and advanced technologies, on Federal land which has been made available for that purpose, or on other land which is suitable.

The Secretary will approve up to 5 plans which are submitted to him under the program. He will consider (among other things) the potential of the technology employed and the ability of the organization submitting the plan to produce at least 1,000 dwelling units a year utilizing that technology.

The Secretary is directed to seek to achieve the construction of at least 1,000 dwelling units a year over a 5-year period for each of the various types of technologies proposed in the plans approved. He is required to report at the earliest practicable date with respect to the projects assisted, together with his recommendations.

Mortgages financing the projects are authorized to be insured under the FHA experimental housing program.

Study of insurance protection for homeowners

The Secretary of HUD, in cooperation with the private insurance industry, is authorized to develop a plan for establishing an insurance program to enable homeowners to meet their monthly mortgage payments in times of personal economic adversity. The Secretary is required to report his actions and recommendations within 6 months following enactment of the law.

National Advisory Commission on Low-Income Housing

A National Advisory Commission on Low-Income Housing is established to undertake a comprehensive study and investigate the resources and capabilities in the public and private sectors of the economy which may be used to fulfill more completely the objectives of the national goal of "a decent home and a suitable living environment for every American family".

The Commission is directed to submit to the President and the Congress an interim report with respect to its findings and recommendations not later than July 1, 1969, and a final report not later than July 1, 1970.

TITLE II - RENTAL HOUSING FOR LOWER INCOME FAMILIES

A new program of Federal assistance to rental and cooperative housing for lower income families is authorized by adding a new section 236 to the National Housing Act. The assistance is in the form of periodic payments to the mortgagee financing the housing to reduce the mortgagor's interest costs on a market rate FHA-insured project mortgage.

The interest reduction payments will reduce payments on the project mortgage from that required for principal, interest, and mortgage insurance premium on a market rate mortgage to that required for principal and interest on a mortgage bearing an interest rate of 1 percent.

The interest reduction payments will reduce rentals to a basic charge, and a tenant or cooperative member will either pay the basic charge or such greater amount as represents 25 percent of his income, but not in excess of the charges which would be necessary without any interest reduction payments. Incomes of tenants will be reexamined at least every 2 years for the purpose of adjusting rentals. Rental charges collected by the project owner in excess of the basic charges are to be returned to the Secretary for deposit in a revolving fund for the purpose of making other interest reduction payments.

Tenants of these projects who pay less than the fair market rental charge for their units will generally have to have incomes, at the time of the initial rent-up of the projects, not in excess of 135 percent of the maximum income limits that can be established in the area for initial occupancy in public housing dwellings. However, up to 20 percent of the contract funds authorized in appropriation acts may be made available for projects in which some or all of the units will be occupied, at the time of the initial rent-up, by tenants whose incomes exceed the above limit but do not exceed 90 percent of the income limits for occupancy of section 221(d)(3) below-market interest rate rental housing.

In determining income for the purpose of eligibility as well as the amount of rent to be paid a $300 deduction is permitted for each minor person in the family and any income of such minor is not counted.

To qualify for mortgage insurance under the new program, a mortgagor must be a nonprofit organization, a cooperative, or a limited dividend entity of the types permitted under the FHA section 221(d)(3) rental housing program. The mortgage limitations with respect to maximum mortgage amount are the same as for mortgages insured under the (d)(3) program. Interest reduction payments can also be made with respect to State-aided rental housing projects approved for receiving the benefits of the program prior to completion of construction or rehabilitation of the projects.

Contracts for assistance payments are authorized, subject to approval in appropriation acts, in the amount of $75 million annually prior to July 1, 1969. This amount is increased by $100 million on July 1, 1969, and by $125 million on July 1, 1970. A reasonable portion of this authority is to be transferred to the Secretary of Agriculture for use in rural areas and small towns.

A project financed under the new program can include such nondwelling facilities as the Secretary deems adequate and appropriate to serve the occupants of the project and the surrounding neighborhood, as long as the project is predominantly residential and any nondwelling facilities contribute to the economic feasibility of the project. Where a project is designed primarily for occupancy by the elderly or handicapped it can include related facilities for their use, such as dining, work, recreation, and health facilities.

With approval of the Secretary of HUD a mortgagor can sell the individual dwelling units to lower income purchasers and these purchasers are eligible for assistance payments under the provisions of the new homeownership program.

A cooperative or private nonprofit corporation or association can purchase a project from a limited dividend mortgagor and finance the purchase with a mortgage insured under the program.

Projects for low and moderate income families financed under the below marked 221(d)(3) program can be transferred, prior to final endorsement for FHA insurance, to the new rental housing interest reduction program.

Projects for the elderly or handicapped approved for direct loans can be refinanced under the new interest reduction program at any time up to, or a reasonable time after, project completion.

Rent supplement payments may be provided for tenants in projects financed under the new program, but no more than 20 percent of the units in any one project can receive rent supplement assistance.

Rent supplements

The authority for rent supplement contracts (subject to approval in appropriation acts) is increased by $40 million on July 1, 1969, and by $100 million on July 1, 1970.

State-aided projects are made eligible for rent supplements if the projects are approved for this benefit prior to completion of construction or rehabilitation.

In determining the income of any tenant for the purposes of the rent supplement program, $300 may be deducted for each minor person who is a member of the immediate family of the tenant and living with the tenant, and the earnings of any such minor person shall not be included in the income of the tenant.

Low-rent public housing

Authority for annual contributions to low-rent public housing is increased by $100 million on enactment of the law, and by $150 million on July 1, 1969, and July 1, 1970.

The Secretary of HUD is authorized to make grants to local housing authorities to assist in financing tenant services for tenants of public housing. Appropriations for the grants are authorized up to $15 million for fiscal year 1969, and $30 million for fiscal 1970.

Preference is to be given to programs providing for maximum tenant participation in the development and operation of tenant services. Tenant services include: counseling on household management, housekeeping, budgeting, money management, child care, and similar matters; advice as to resources for job training and placement, education, welfare, health, and other community services; services which are directly related to meeting tenant needs and providing a wholesome living environment; and referral to appropriate agencies when necessary for the provision of such services.

Public housing assistance is permitted for Indian families who live on or adjacent to their farmland.

High-rise public housing projects for families with children are prohibited except where the Secretary of HUD determines that there is no practical alternative.

The Secretary is prohibited from prescribing limitations on the types or categories of structures or dwelling units (other than those provided in the law) which can be leased under the public housing, section 23 leasing program.

An additional annual subsidy of $120 is authorized for public housing units occupied by large families or families with very low incomes.

Local housing authorities are permitted to purchase structures leased under the Section 23 program for the purpose of reselling the structure to the tenants, or to a group of tenants occupying units aggregating in value at least 80 percent of the structure's value. The purchase can be on such terms and conditions as may be necessary to enable the tenants involved to make their purchases without undue financial hardship.

TITLE III - FEDERAL HOUSING ADMINISTRATION INSURANCE OPERATIONS

Perfecting and liberalizing changes are made in a number of existing FHA mortgage insurance programs. In addition:

FHA is authorized to -

insure loans to homeowners to finance the purchase of fee simple title to property on which their homes are located where the homeowner has only a leasehold interest in the land;

insure 90 percent supplemental loans to finance improvements and additions to FHA multifamily projects (including nursing homes and group practice facilities);

insure supplementary rehabilitation loans to housing cooperatives which purchased war housing covered by an uninsured mortgage;

permit the cost of nursing home equipment to be included in an insured nursing home mortgage; and

insure mortgages on new seasonal homes.

The Title I home improvement loan insurance program is changed by -

1. raising the limit on the amount of a loan from $3,500 to $5,000,

2. raising the maximum maturity from 5 years and 32 days to 7 years and 32 days, and

3. increasing the maximum financing charge to $5.50 discount per $100 of the first $2,500 plus $4.50 in excess of $2,500 (now $5 and $4, respectively).

Mortgages financing the purchase of housing rehabilitated by local public agencies in urban renewal areas is authorized to be insured by FHA under the existing 220 and 221 (d) (3) programs as well as under the new section 236 program providing for interest reduction payments.

The maximum mortgage amount under section 203 (i) for homes in outlying, semirural and rural areas is increased from $10,000 to $13,500.

TITLE IV - GUARANTEES FOR FINANCING NEW COMMUNITY LAND DEVELOPMENT
("New Communities Act of 1968")

Title IV, the "New Communities Act of 1968", provides additional Federal assistance to new communities. It is designed to enlist new sources of private capital in their development.

The Secretary of HUD is authorized to guarantee obligations issued on the bond market by private developers to help finance the land acquisition and land development costs of new communities.

The obligations guaranteed for a new community may not exceed the lesser of (a) 80 percent of the Secretary's estimate of the value of the property upon completion of the land development, or (b) the sum of 75 percent of the Secretary's estimate of the value of the land before development plus 90 percent of his estimate of the actual cost of the land development, or (c) $50 million.

The aggregate amount of outstanding principal obligations that may be guaranteed is limited to $250 million.

To be eligible for a guarantee or commitment to guarantee the Secretary must determine that -

1. the proposed new community will be economically feasible and will contribute to the orderly development of the area of which it is a part;

2. there is a practicable plan for financing the new community and for marketing the land which represents an acceptable financial risk to the United States;

3. there is a sound internal development plan for the new community which has received all required State or local government approvals, and is acceptable to the Secretary as contributing to good living conditions in the area and including a proper balance of housing for families of low and moderate income; and

4. the internal development plan is consistent with comprehensive planning for the area which meets criteria established by the Secretary.

The Secretary is authorized to establish a revolving fund for the guaranty program which will be comprised of (1) receipts from fees and charges, (2) other receipts, and (3) such sums, authorized to be appropriated, as may be required.

The Secretary is also authorized to make supplementary grants to State and local public bodies and agencies for water and sewer facilities and open space assisted by grants under the Housing and Urban Development Act of 1965 or the Consolidated Farmers' Home Administration Act, and the Housing Act of 1961. The Secretary must determine that the supplementary grants are desirable for carrying out a new community development project, and that a substantial number of housing units for low and moderate income persons is to be made available through the project.

The supplementary grant cannot exceed 20 percent of the cost of the facility and the total Federal grant is limited to 80 percent of facility cost. Appropriations for supplementary grants are authorized up to $5 million for fiscal year 1969, and up to $25 million for fiscal year 1970.

TITLE V - URBAN RENEWAL

Neighborhood Development Programs

The Secretary of HUD is authorized to provide financial assistance for neighborhood development programs, a new approach to urban renewal which will facilitate more rapid rehabilitation and redevelopment of blighted areas on an effective scale. A neighborhood development program consists of urban renewal project undertakings and activities in one or more urban renewal areas that are planned and carried out on the basis of annual increments. Financing is based on the amount of loan and grant funds needed to carry out the activities planned during a 12-month period in each of the urban renewal areas contained in a community's program. If funds are available and a community's program is acceptable to the Secretary, a community can receive financial assistance based on its need for subsequent annual increments of the program.

The Redevelopment Land Agency of the District of Columbia is given authority to plan and undertake neighborhood development programs.

Increase in authorization of grants

The authorization for urban renewal grants is increased by $1.4 billion on July 1, 1969. In addition, the authorization for urban renewal grants for projects in model cities areas is increased by $350 million.

Rehabilitation grants

The limit on the amount of a rehabilitation grant to a low-income homeowner is increased from $1,500 to $3,000 and the grant is made available for rehabilitation of real property in addition to the dwelling itself.

Rehabilitation grants are authorized to be made to low-income homeowners for repairs and improvements of dwellings outside urban renewal and code enforcement areas -

1. where the dwellings are in areas certified by the local governing body as containing a substantial number of structures in need of rehabilitation,

2. if the locality has in effect a workable program for community improvement, and

3. the area is definitely planned for rehabilitation or code enforcement within a reasonable time, and the repairs to be assisted are consistent with the plan for rehabilitation or code enforcement.

The Secretary of HUD is also authorized to make rehabilitation grants to low-income homeowners whose property has been determined, after an inspection pursuant to an approved statewide property insurance plan, to be uninsurable because of physical hazards. The grant may be made only to rehabilitate the property to the extent that the Secretary determines necessary to make it meet reasonable underwriting standards imposed by the statewide plan.

Rehabilitation loans

The rehabilitation loan program has been broadened in the same manner as the rehabilitation grant program with respect to properties located outside urban renewal and code enforcement areas and those found to be uninsurable.

The amount authorized to be appropriated for each fiscal year is increased from $100 million to $150 million and the program is extended to June 30, 1973 (in lieu of the previous expiration date of October 1, 1969).

Eligibility for residential rehabilitation loans is limited to persons whose annual income is within the locally applicable income limits for the section 221 (d) (3) below-market interest rate program.

Limit on LPA rehabilitation in urban renewal areas

The previous limits on the acquisition and rehabilitation of residential properties by local renewal agencies are removed. Under prior law, an LPA could acquire and rehabilitate for demonstration purposes no more than 100 units or 5 percent of the total residential units in an urban renewal area, whichever is lesser.

Disposition of property for low and moderate income housing

Land in an urban renewal area is authorized to be leased (in addition to being sold as previously provided) for low or moderate income housing at a price consistent with the use for that purpose. A builder is permitted to purchase the land at the write-down price for low or moderate income sales housing. Under this provision land can also be made available at the write-down price for housing assisted under the 221(h) program, and the new interest reduction payment programs authorized by the Act for homeownership and multifamily housing.

Grants for low and moderate income housing in open land projects

Grants are authorized for open land urban renewal projects where the land is to be disposed of for low and moderate income housing. Previously, open land projects were not eligible for grants. The grant may be for

two-thirds of the difference between the proceeds from any land disposed of at its value for low or moderate income housing and the proceeds which would have been realized if the land had been disposed of at its fair value without regard to its special use.

Demolition grants - rat harborages
The Demolition Grant Program is expanded to permit grants for the demolition of structures which are rat harborages or potential rat harborages.

Use of air rights sites for educational facilities
Air-rights urban renewal projects, and the construction of necessary foundations and platforms in any type project, are authorized for the development of educational facilities. As in the case of industrial development, an air-rights project and the construction of foundations and platforms would only be available for educational facilities if the area is unsuitable for low or moderate income housing purposes.

Low and moderate income housing in residential urban renewal areas
A majority of the total number of housing units in a community's residential urban renewal projects which receive Federal recognition after August 1, 1968 must be for low and moderate income families or individuals, with at least 20% of such total for low income families or individuals. The Secretary may waive the 20% requirement to the extent that the units are not needed in the community.

Workable program requirements in case of Indian tribes
An additional period of time, until January 1, 1970, is provided for Indian tribes, bands, or nations to adopt and carry out minimum standards housing codes for workable program certification.

Interim assistance for blighted areas
The Secretary of HUD is authorized to contract to make grants aggregating up to $15 million a year to cities or counties to assist them in taking interim steps to alleviate harmful conditions in slum or blighted areas of communities which are planned for substantial clearance, rehabilitation, or federally assisted code enforcement in the near future, but which need some immediate public action until permanent action can be taken.

The Secretary is required to encourage employment of unemployed or under-employed residents of an assisted area in carrying out the activities to be assisted.

Grants may not exceed two-thirds of the cost of planning and carrying out an interim assistance program, except that three-fourths grants can be made to any community with a population of 50,000 or less.

A community has to have an approved workable program for community improvement to qualify for assistance, and relocation assistance and payments will be available.

Relocation Payments

Relocation adjustment payments are broadened to permit payments of up to $500 per year, for a 2-year period. Such payments have been heretofore limited to a maximum of $500 payable over a 5 month period.

A new payment is authorized for a displaced owner-occupant of residential property to enable him to purchase a replacement dwelling. The payment, which cannot exceed $5,000, is the difference between the average price for an adequate replacement home and the acquisition price of his former home.

TITLE VI - URBAN PLANNING AND FACILITIES

Comprehensive planning

The section 701 planning assistance grant program is extensively revised. The Secretary of HUD is not authorized to make comprehensive planning grants to State planning agencies for assistance to "district" planning agencies for rural and other nonmetropolitan areas. Consultation with the Secretary of Agriculture is required prior to approval of any district planning grants. The Secretary of Agriculture and, when appropriate, the Secretary of Commerce may provide technical assistance in connection with the establishment of districts and the carrying out of planning by them. Such district planning may not be aimed at assisting businesses to relocate from one area to another.

Other new provisions authorize direct planning grants to Indian tribal planning councils or other bodies for planning on Indian reservations; to regional and district councils of government as well as those organized on a metropolitan basis; to regional commissions and economic development districts established under the Public Works and Economic Development Act of 1965; to cities, without regard to population, within metropolitan areas for planning which is part of metropolitan planning; and to official Government planning agencies for areas where rapid urbanization is expected as a result of a new community development assisted under title IV of this act. The Secretary is required to consult with the Secretary of Commerce before making any planning grant which includes any part of an economic development district.

The definition of comprehensive planning is broadened to include planning for the provision of governmental services and for the development and utilization of human and natural resources. The inclusion of a housing element is required as part of the preparation of comprehensive land use plans. The use of private consultants, where their professional services are deemed appropriate by the assisted governments, is added to the stated purposes of the program.

The authorization of appropriations for grants is increased by $35 million for fiscal year 1969 (including $20 million earmarked for district planning) and by $125 million (including $10 million for district planning) beginning fiscal year 1970. It is also provided that an additional $10 million of section 701 appropriations is to be available for study, research and demonstration projects.

Planned areawide development

Supplementary grants (designed to encourage areawide planning) are authorized for Federally-assisted projects in all multijurisdictional areas (not just metropolitan areas as previously provided)such as the rural planning districts proposed to be assisted with comprehensive planning grants under the comprehensive planning provisions of the law. Unused authorizations for appropriations for supplementary grants for fiscal year 1967 and 1968 are made available through fiscal year 1970.

Advance Acquisition of land

The advance acquistion of land program is extensively revised. Among the more significant changes is a broadening of the definition of eligible land from land "planned to be utilized in connection with the future construction of public works and facilities" to "land planned to be utilized in the future for public purposes". Grants can also be made for the imputed interest cost when a public body does not use borrowed funds to acquire the land. Authority is given the Secretary to extend the requirement that the land must be used for its proposed purpose within five years if he deems a longer period necessary due to unusual circumstances and so advises the Banking and Currency Committees of the Congress. It is also provided that assistance under this program will not render a project ineligible for other Federal assistance programs and that the cost of land acquired with assistance under this program will not be an ineligible project cost in such other programs.

Water and sewer facilities program

The interim planning requirements under the basic water and sewer facilities grant program is extended to October 1, 1969. It is also provided that in administering the program, to the greatest extent practicable, new job opportunities shall be provided for unemployed or underemployed persons.

Authorizations -- water and sewer, neighorhood facilities, and advance acquisition of land programs.

The authorization for appropriations for these three programs is extended to permit the appropriation, for fiscal year 1970, of any funds authorized but not appropriated prior to that time. Also, an additional $150 million for fiscal year 1969 and $115 million for fiscal year 1970 are authorized to be appropriated for the water and sewer facilities grant program.

Open space land program

The contract authorization of $310 million for grants under the open space land program is changed to a $310 million authorization of appropriations prior to July 1, 1969, with $150 million in additional appropriations authorized for fiscal year 1970. The limit on the amount of the funds that can be used for studies and publishing of information is increased from $50,000 to $125,000 per year.

Feasibility studies - public works planning advances

It is made clear that the Secretary of HUD has authority to make advances for feasibility studies under the public works planning advances program.

TITLE VII - URBAN MASS TRANSPORTATION

Authorization

The authorization of appropriations for grants and other assistance to urban mass transportation is increased by $190 million for fiscal year 1970. The amount of funds which can be used for research, development, and demonstration projects is increased by $6 million, commencing July 1, 1968, and the statutory limit on the funds available for this purpose is removed, commencing July 1, 1969.

Emergency program extended

The emergency mass transportation capital grant program expiration date is extended from November 1, 1968 to July 1, 1970.

Definition

The definition of "mass transportation" in the Urban Mass Transportation Act of 1964 is amended to allow greater flexibility and opportunity for application of new concepts and systems.

Non federal share of net project cost

Not more than half of the non-federal share of the net project cost of a mass transportation project is permitted to be paid from private sources, except in certain cases of demonstrated fiscal inability. Any public or private transit system funds provided for the non-Federal share must be solely from undistributed cash surpluses, replacement or depreciation funds or reserves available in cash, or new captial.

TITLE VIII - SECONDARY MORTGAGE MARKET

The existing Federal National Mortgage Association (FNMA) is directed to be partitioned into two separate corporations. One will be a Government sponsored private corporation, to be known as the Federal National Mortgage Association (FNMA), to operate the secondary mortgage market operations. The other will remain in the Government and continue to operate the special assistance functions for special Federally-aided housing programs, and the management and liquidating functions of the old FNMA. The new corporation will be known as the Government National Mortgage Association (GNMA).

FNMA is authorized to issue and sell securities backed by a portion of its mortgage portfolio, with GNMA guaranteeing payment on such securities. GNMA can also guarantee similar securities issued by other private issuers where they are backed by FHA, VA, and some Farmers Home Administration mortgages or loans.

The special assistance authorization of FNMA (now GNMA) is increased by $500 million on July 1, 1969.

The provisions of this title will become effective after a date, no more than 120 days following its enactment, established by the Secretary of HUD. The Secretary has established this date as September 1, 1968.

Provisions are made with respect to the capital stock of FNMA and its board of directors during a transitional period. The transitional period will end when 1/3 of the FNMA common stock is owned by persons or organizations in the mortgage lending, home building, real estate or related businesses, but not sooner than May 1, 1970, nor later than May 1, 1973. The majority of FNMA's board of directors are to be appointed by the Secretary of HUD during the transitional period. The President of FNMA during this period will be appointed by the President of the United States and confirmed by the Senate. One of the Secretary's appointees to the Board will be the President.

After the transitional period FNMA will be governed by a 15-member board of directors, five of whom will be appointed by the President of the United States.

The new FNMA will be subject to the general regulatory control of the Secretary of HUD, who also must approve the issuance of all stocks and other obligations by FNMA and may require it to allocate a reasonable portion of its mortgage purchases to mortgages in low and moderate income housing.

TITLE IX - NATIONAL HOUSING PARTNERSHIPS

A national housing partnership is to be created for the purpose of securing the participation of private investors in programs and projects to provide housing for low and moderate income families.

Initially, a federally chartered, privately funded corporation will be organized under the District of Columbia Business Corporation Act. The corporation in turn will organize the National partnership under the D.C. Uniform Limited Partnership Act.

The corporation will serve as the general partner and managing agent of the National partnership and each of its stockholders can be limited partners. It will provide the staff and expertise for the Partnership in organizing and planning project undertakings in which the partnership has an interest, and receive a fee for such services.

Both the corporation and the National partnership are authorized to engage in a broad range of activities appropriate to the provision of housing and related facilities primarily for low or moderate income families, with or without the use of Federal programs, and may enter into and participate in all forms of partnerships and associations. The National

partnership is expected to form partnership ventures with local investors for the purpose of building low and moderate income housing projects throughout the nation. Normally, it will be a limited partner in such undertakings, with an interest of not more than 25% of the aggregate initial equity investment for the project.

The President will appoint the incorporators of the corporation and 3 of the 15 members of the board of directors. The incorporators will serve as the initial board of directors and arrange for the initial offering of shares of stock in the corporation and interests in the National partnership.

The President is authorized to create additional partnerships when he determines it to be in the national interest.

National banks are authorized to invest in a corporation and other entities formed under this title.

TITLE X - RURAL HOUSING

Housing for low and moderate income persons and families

The Secretary of Agriculture is authorized to provide direct and insured loans for housing in rural areas to low and moderate income persons and families and to provide rental or cooperative housing for such persons where assistance is not available under the new interest reduction programs authorized by the law. The interest rate on the loans can be at a rate set by the Secretary after considering the cost of money to the Treasury and the payment ability of the applicants, but not less than 1 percent per annum. An interest supplement necessary to market the insured loans will be paid from, and reimbursed by annual appropriations to, the Rural Housing Insurance Fund.

Housing for rural trainees

The Secretary of Agriculture is authorized to provide financial and technical assistance to the provision of housing and related facilities in rural areas for rural trainees (and their families) enrolled in Federally assisted training courses to improve their employment capability.

Advances for land purchase for the housing will be repayable within 33 years and bear interest at a rate (not less than 1 percent) determined by the Secretary of the Treasury taking into consideration the current average market yield on outstanding Federal obligations. Other advances would be nonrepayable, or repayable with or without interest, depending on the applicant's payment ability, from project net income and any other available sources.

Mutual and self-help housing

A new program of grants and loans is authorized to provide assistance in rural areas and small towns to needy low-income individuals and their families for mutual or self-help housing. Grants can be made to public or private nonprofit organizations to pay part or all of the costs of developing comprehensive programs of technical and supervisory assistance to aid individuals and their families in carrying out mutual or self-help housing efforts.

Loans can be made on such terms and conditions and in such amounts as the Secretary of Agriculture deems necessary, to needy low-income individuals participating in programs of mutual or self-help housing approved by him, for the acquisition and development of land and for the purchase of building materials as may be necessary, for the construction of dwellings. Loans will bear interest at not more than 3 percent per annum, and be repayable within 33 years.

A self-help housing land development fund is authorized to provide a source of short-term loans to public or private nonprofit organizations to buy and develop building sites to be sold to families, nonprofit organizations, and cooperatives eligible for assistance under the new interest reduction programs for housing for lower income families.

TITLE XI - URBAN PROPERTY PROTECTION AND REINSURANCE

Title XI enacts the "Urban Property Protection and Reinsurance Act of 1968."

Under this Act the Secretary of HUD is authorized to provide private insurers with reinsurance against losses resulting from riots or civil disorders. The sale of reinsurance is limited to those insurers that cooperate with State insurance authorities in developing statewide plans to assure fair access to insurance requirements, called FAIR plans. Reinsurance may only be provided in States which have such plans.

FAIR plans may vary among the States, but all plans must satisfy minimum statutory criteria. The principal requirement is that no risk can be written at the surcharged rate or denied coverage unless there has been an inspection of the property and a determination made that it does not meet reasonable underwriting standards at the applicable premium. Additional requirements relate to the procedures to be followed with respect to inspections, the provision of reasonable notice to property owners of cancellation or nonrenewal of policies, and the formation of an all-industry facility which will place the insurance in the regular market. Such FAIR Plans are to be administered under the supervision of the State insurance authority. As a condition for providing reinsurance in a State, the Secretary can require additional programs to make property insurance available without regard to environmental hazards.

Reinsurance is offered in standards lines of property insurance coverage and can be provided immediately following enactment by means of a binder agreement, which expires after 90 days unless sooner replaced by a reinsurance contract.

Premium rates and the terms and conditions of reinsurance contracts are to be uniform throughout the country. The premiums for the first year must provide sufficient income to cover a level of riot losses in excess of the amount of insured riot losses in 1967.

A State is required to assume a portion of the losses reinsured by the Secretary within 1 year or by the close of its next regular legislative session. The ceiling on the share will be 5% of the property insurance premiums, earned in the State on reinsured lines of property insurance. Such sharing will only be required if reinsured losses exceed premiums paid for reinsurance by insurance companies in that State (premiums paid in the current year plus premiums paid in previous years in excess of reinsured claims).

A National Insurance Development Fund is created to carry out the program authorized. Treasury borrowings are authorized to make payments of claims for reinsured losses, limited to $250 million or such further sums as the Congress may authorize by joint resolution.

The Secretary is required to make a study concerning the availability of property insurance in urban areas and to submit the results to the President and the Congress no later than 1 year after the enactment of the law. He is also authorized to conduct other studies pertinent to his reinsurance and statewide plan responsibilities.

A 19-member advisory board is to be appointed by the Secretary with not less than four members to represent the insurance industry and not less than four members to represent the State insurance authorities.

TITLE XII - DISTRICT OF COLUMBIA INSURANCE PLACEMENT ACT

The District of Columbia Insurance Placement Act establishes programs to assure the availability of basic property insurance protection against fire and other perils for residential and business properties in the District of Columbia. Such programs are subject to the supervision and regulation of the Commissioner of the District of Columbia.

Within 30 days after enactment all licensed insurers in the District who write basic property insurance are required to establish an Industry Placement Facility which is to administer a program to provide for the equitable distribution of responsibility for insuring qualified property for which insurance cannot be obtained through the normal insurance market.

Rules and regulations are to be adopted by the Facility to assure all property owners fair access to insurance requirements. Such rules and regulations, which must be approved by the Commissioner, are required to be consistent with the state-wide plan requirements of the Urban Property Protection and Reinsurance Act of 1968 (Title XI, Supra).

The Commissioner is authorized to establish a joint underwriting association to provide for the reinsuring of basic property insurance without regard to environmental hazard, if he finds that such a program is necessary to carry out the purposes of the Act.

The Commissioner is authorized to assess each insurance company authorized to do business in the District an amount sufficient to satisfy the state sharing requirement for Federal reinsurance under the Urban Property Protection and Reinsurance Act. Such assessments would be based on a company's proportionate share of premiums earned on reinsured lines during the preceding year. In the event of such assessments, the companies will increase their premiums by an amount sufficient to recover the assessment within not more than a 3 year period.

TITLE XIII - NATIONAL FLOOD INSURANCE

Title XIII enacts the "National Flood Insurance Act of 1968". Under this Act, the Secretary of HUD is authorized to establish and carry out a national flood insurance program to enable persons to purchase insurance against losses resulting from physical damage to or loss of real property or personal property arising from any flood occurring in the United States. He is directed to encourage and arrange for maximum participation in the program by insurance companies and other insurers, and by related agents, brokers and organizations.

The Act provides for the operation of the flood insurance program as a joint venture between the Federal Government and the private insurance industry (with the industry participating on a risk-sharing basis). However, as an alternative, the Secretary may, if necessary, operate the program without the companies participating on other than a fiscal agency basis.

The Secretary is authorized to borrow up to $250 million from the Treasury to carry out the insurance program. A National Flood Insurance Fund is established for making payments authorized by the bill, including premium equalization payments and reinsurance for losses in excess of losses assumed by insurance company pools formed to provide flood insurance.

Coverage will be available initially for one to four family dwellings and small business establishments but is to be extended to additional types and classes of property as found feasible by the Secretary. In the case of dwellings, the insurance limit, where the rate is less than the full risk rate, will be $17,500 for any single dwelling and $30,000 for a two to four family structure, plus $5,000 per dwelling for contents. Small business properties can be insured for up to a total of $30,000 for the structure and $5,000 for the contents of each individual business. These limits may be doubled upon the payment of full premium rates for the coverage in excess of such limits by the insured property owner.

The Secretary is directed to develop criteria designed to encourage the adoption of State and local measures to constrict the development of land which is exposed to flood damage, guide development of proposed construction away from locations threatened by flood hazards, assist in reducing damage caused by floods, and otherwise improve land management and use of flood-prone areas.

After June 30, 1970, no new flood insurance coverage can be provided in any area unless an appropriate public body has adopted permanent land use and control measures which the Secretary finds are consistent with the criteria he has prescribed for land management and use in flood prone areas.

The Secretary is directed to appoint a flood insurance advisory committee.

The face amount of flood insurance coverage outstanding and in force at any one time is limited to $2.5 billion.

The Flood Insurance Program will go into effect 120 days following the date of enactment unless the Secretary prescribes a later effective date, not to exceed 180 days from the date of enactment.

The Secretary of HUD is authorized to undertake studies for the purpose of determining the extent to which insurance protection against earthquakes, or other natural disaster perils, other than flood, is not available, and the feasibility of such insurance protection being made available.

TITLE XIV - INTERSTATE LAND SALES

The "Interstate Land Sales Full Disclosure Act" enacted by Title XIV makes it unlawful for any developer to sell or lease, by the use of the mail or by any means in interstate commerce, any lot in any subdivision (defined as one with 50 or more lots for sale as part of a common promotional plan) unless

(1) there has been filed with Secretary of HUD a statement of record listing certain required information about the ownership of the land, the state of its title, its physical nature, the availability of roads and utilities, and other matters; and

(2) a printed property report, containing pertinent extracts from the statement of record, is furnished to the purchaser in advance of the signing of an agreement for purchase or lease.

These requirements do not apply to any subdivision where the property is clear of all liens and if every purchaser has personally inspected the lot which he purchased, as evidenced by a written affirmation by the developer.

Any contract for the purchase or lease of a lot covered by this Act is voidable at the option of the purchaser if he was not furnished with a property report at least 48 hours in advance of his signing the contract. If the property report was received by the purchaser less than 48 hours in advance of his signing the contract, it is voidable for a period of 48 hours after the signing unless he stipulates in writing that he has read the report and inspected the lot before he signed the contract.

Willful violation of these requirements is subject to criminal penalties of imprisonment for not more than 5 years, or a fine of not more than $5,000, or both. Broader civil remedies than heretofore available are also provided. A suit for damages may be brought in any State or Federal court for the district in which the defendent may be found or in which the transaction took place. The Secretary is authorized to seek an injunction against any developer he can show is violating or about to violate the law.

In carrying out his responsibilities under this legislation, the Secretary is required to cooperate with State authorities charged with the responsibility of regulating the sale of lots in subdivisions.

This Act does not become effective until 270 days after enactment.

TITLE XV - MORTGAGE INSURANCE FOR NONPROFIT HOSPITALS

This title establishes a new FHA program (section 242 of the National Housing Act) under which the Secretary of HUD will insure mortgages covering new or rehabilitated hospitals (including initial equipment). The mortgage may not exceed $25 million or 90 percent of replacement cost and the hospital must be owned and operated by one or more nonprofit organizations.

TITLE XVI - HOUSING GOALS AND ANNUAL HOUSING REPORT

Reaffirmation of national goal

The Congress finds that the supply of the Nation's housing is not increasing rapidly enough to meet the national housing goal and reaffirms this goal. It determines that it can be substantially achieved within the next decade by the construction or rehabilitation of twenty-six million housing units, six million of these for low and moderate income families.

Report outlining plan

Not later than January 15, 1969, the President is required to make a report to the Congress setting forth a plan to be carried out over the next ten years for the elimination of all substandard housing and the realization of the national housing goal. The report shall, in addition, contain a projection of the residential mortgage market needs and prospects during the coming year, including an estimate of the requirements with respect to the availability, need and flow of mortgage funds, together with recommendations for encouraging the availability of funds.

Periodic reports

On January 15, 1970, and on each succeeding year through 1979, the President is required to submit to the Congress a report of results achieved in the provision of housing, and recommendations for legislation or additional administrative action that may be needed to achieve the objectives of the President's plan.

Commission on Mortgage Interest Rates

Funds appropriated and available for studies of housing markets and credit under laws previously enacted in 1948 and 1956 are made available for expenses of the Commission on Mortgage Interest Rates to study mortgage interest rates. This Commission was established by Public Law 90-301.

TITLE XVII - MISCELLANEOUS

Model cities

The authorization for supplemental grants for model cities is increased by $1 billion for fiscal year 1970, and an additional $12 million is authorized for fiscal year 1969 for grants for planning model cities programs. Amounts authorized but not appropriated are made available for appropriation for any succeeding fiscal year commencing prior to July 1, 1970.

Urban renewal demonstration grant program

Urban renewal demonstration grants are authorized to be made to nonprofit organizations. Under prior law these grants were available only for public bodies.

The limit on the amount of urban renewal demonstration grants is increased from two-thirds of the cost of the undertakings to 90 percent of the cost.

The amount of funds available for these grants is increased from $10 million to $20 million.

Authorization for urban information and technical assistance service program

The authorization for grants to States to assist in the provision of urban information and technical assistance is increased by $5 million for fiscal year 1969, and by $15 million for fiscal year 1970. Amounts authorized for these grants but not appropriated are authorized to be appropriated for any succeeding fiscal year commencing prior to July 1, 1970.

Advances in technology in housing and urban development

Such sums as may be necessary are authorized to be appropriated commencing with fiscal year 1969, for studies of new and improved techniques and methods of applying advances in technology to housing construction and rehabilitation, and to urban development. Four-year contracts are authorized for such studies rather than 2-year contracts as heretofore authorized.

College housing

The college housing direct loan program is expanded to add a new program to provide financial assistance by means of annual debt service grants. The new grant program is to be used to reduce the borrower's annual debt service payments on private market loans to the average annual debt service that would have been required if the loan were

based on the rate charged on loans under the direct loan program. Annual grants can be made over a fixed period up to 40 years. The total amount of annual grant contracts is subject to approval in appropriation acts. The total amount cannot exceed $10 million, with this limit increased by $10 million on July 1, 1969.

The loan and new grant program are made available for the purchase of existing properties which are in need of little or no rehabilitation.

Federal-State training programs

The Federal-State training program is broadened to permit grants to States for the training of subprofessional (heretofore limited to professional) persons who will be employed in the field of housing as well as community development. The trainees may be trained for employment by private nonprofit organizations which have responsibility for housing and community development programs, in addition to public organizations. Guam, American Samoa, and the Trust Territory of the Pacific Islands are made eligible for grants under the program.

Additional Assistant Secretary of Housing and Urban Development

An additional Assistant Secretary of Housing and Urban Development is authorized.

Self-help Studies

Grants are authorized to be made under the low-income housing demonstration program for studies of self-help in the construction, rehabilitation, and maintenance of housing for low-income persons and families and the methods of selecting, involving, and directing them in self-help activities. The Secretary of HUD is required to report to Congress within one year on the results of any such studies.

Savings and loan associations

Federal savings and loan associations are authorized to raise capital in the form of savings deposits or other accounts (in addition to shares) and to borrow and issue bonds or other obligations.

Their lending and investment powers are liberalized and broadened by authorizing them to invest in -

1. time deposits, certificates or accounts in banks insured by the FDIC;
2. unsecured loans not exceeding $5,000 to finance the construction of new structures relating to residential use (vacation homes);
3. mobile home financing;
4. loans not exceeding $5,000 for the equipping of homes;
5. loans guaranteed by AID on housing projects located in developing countries outside of Latin American; and

6. loans to Federally supervised financial institutions or brokers or dealers registered with the SEC, if the loans are **secured** by loans, obligations or investments in which the Federal association has statutory authority to invest directly.

Federal Home Loan Bank Act

Federal home loan banks are authorized to invest in housing project loans guaranteed under the Foreign Assistance Act of 1961.

Federal Reserve Act

Section 24 of the Federal Reserve act is amended to authorize construction loans by national banks up to 36 months in length (seriously limited to 24 months) as an exception to the limitation on real estate loans.

National banks are permitted to continue to purchase participations in existing mortgages, and it is made clear that loans by national banks are not to be considered as real estate loans where the bank looks primarily for repayment out of security other than real estate.

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